

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2025

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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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

Opinions

We have audited the accompanying financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Ward Two Water District of Livingston Parish, as of December 31, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Ward Two Water District of Livingston Parish's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 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 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 23, 2026

Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
Management's Discussion and Analysis
December 31, 2025

Introduction

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

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

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

Financial Highlights

- At December 31, 2025, total assets and deferred outflows of resources were \$56,527,223 and exceeded liabilities in the amount of \$37,935,559 (i.e., net position). Of the total net position, \$6,456,567 was unrestricted and available to support short-term operations; \$5,049,935 was restricted for capital projects and debt service, with the balance of \$26,429,057 as net investment in capital assets.
- For the year ended December 31, 2025, user fee revenues (water sales) increased 6.90% to \$8,406,134 as compared to \$7,863,825 for the fiscal year ended December 31, 2024. Total Other Revenue categories however increased totaling \$3,644,164 for 2025 as compared to \$3,275,450 in 2024 (an increase of \$368,714).
- The District's operating expenses increased 7.91% to \$7,364,616 as compared to \$6,824,731 in 2024.
- The District had assets and asset improvements placed in service of \$1,038,462 during the year ended December 31, 2025 and an increase in Construction in Progress of \$3,763,015.

Overview of the Annual Financial Report

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

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

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

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

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

Financial Analysis

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

Condensed Statement of Net Position
As of December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current Assets	\$ 15,577,251	\$ 15,808,529	\$ (231,278)	(1.46%)
Noncurrent Assets:				
Other Assets	492	492	-	0.00%
Prepaid Items	23,600	28,660	(5,060)	(17.66%)
Capital Assets	40,684,655	37,499,744	3,184,911	8.49%
Total Assets	<u>56,285,998</u>	<u>53,337,425</u>	<u>2,948,573</u>	5.53%
Deferred Outflows of Resources:				
Deferred Amount on Refunding of Debt	241,225	292,955	(51,730)	(17.66%)
Total Assets and Deferred Outflows of Resources	<u>56,527,223</u>	<u>53,630,380</u>	<u>2,896,843</u>	5.40%
Liabilities:				
Current Liabilities	7,373,545	10,172,259	(2,798,714)	(27.51%)
Long-Term Liabilities	11,218,119	10,208,244	1,009,875	9.89%
Total Liabilities	<u>18,591,664</u>	<u>20,380,503</u>	<u>(1,788,839)</u>	(8.78%)
Net Position:				
Net Investment in Capital Assets	26,429,057	23,342,300	3,086,757	13.22%
Restricted for Capital Projects and Debt Service	5,049,935	4,289,556	760,379	17.73%
Unrestricted	6,456,567	5,618,021	838,546	14.93%
Total Net Position	<u>\$ 37,935,559</u>	<u>\$ 33,249,877</u>	<u>\$ 4,685,682</u>	14.09%

The major components of the change in “Current Assets” were primarily decreases in cash and cash equivalents and investments of \$936,475 offset against an increase in investments of \$1,556,353. Additionally, there were decreases in receivables of \$124,260. An increase in restricted cash accounts of \$399,365 and a decrease in \$1,177,206 in due from other governments.

“Capital Assets” increased by a net of \$3,184,911 primarily from the additions of \$3,551,125 in construction in progress (net of CIP placed in service) and \$1,038,462 in utility systems, equipment and building improvements less the subtraction of depreciation of \$1,396,448 and amortization of \$8,228 as well as disposals of \$131,980.

“Deferred Amount on Refunding of Debt” decreased by \$51,730 for amortization of the advanced refunding difference.

“Total Liabilities” decreased by \$1,788,839 from changes in Short-Term, Long-Term Debt, and Bond Anticipation Note Payable. Bond Payable Current and long term increased by a net \$1,209,355 due to a new bond being issued in 2025. The bond anticipation note payable decreased by \$1,167,991. Construction payables decreased by \$1,565,610. Accounts Payable and Accrued Payables decreased by a net of \$302,170. There was also an increase in Customer Deposits Payable of \$51,467.

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's is being conservatively managed in a time of consistent expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 25,974 at fiscal year-end compared to 25,337 in 2024, for an increase of 637.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by \$565,435 (6.50 %) for the fiscal year ended December 31, 2025 after a \$1,375,089 (19%) increase for the year ended December 31, 2024. The increase in Operating Revenues for 2025 was due to more timely billings and an increase in water sales. The Non-operating Revenues increased by \$345,588 which includes an increase in loan forgiveness amount of \$147,369 and an increase in interest and other income of \$154,033 and a gain on the disposal of assets of \$40,362.

Total other operating expenses increased by \$486,830 from the prior year and non-operating expenses increased by \$91,512. The other operating expense increase is primarily due to the \$316,066 increase in personal services and benefits, an increase in insurance expense of \$165,196, an increase in dues and subscriptions of \$90,450, an increase in bank fees of \$42,433, an increase in bad debt expense of \$40,270, utilities expense increase of \$27,603, supplies expense increase of \$24,408, and vehicle expense increase of \$24,026 as compared to 2024. There were also decreases in contractual services expense of \$127,014, repairs and maintenance of \$109,152, and office expense of \$7,456 as compared to 2024 that partially offset the above increases.

The above changes resulted in an increase in Net Position of \$4,685,682 for the year ended December 31, 2025, as compared to an increase in net position of \$4,314,544 for the year ended December 31, 2024.

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, 2025

	Final Budget December 31, 2025	Actual December 31, 2025	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 9,169,000	\$ 9,287,359	\$ 118,359
Nonoperating Revenues	892,000	2,762,939	1,870,939
Total Revenues	<u>10,061,000</u>	<u>12,050,298</u>	<u>1,989,298</u>
Expenses:			
Depreciation and Amortization	1,520,000	1,404,676	115,324
Other Operating Expenses	5,844,000	5,453,537	390,463
Nonoperating Expenses	582,000	506,403	75,597
Total Expenses	<u>7,946,000</u>	<u>7,364,616</u>	<u>581,384</u>
Change in Net Position	2,115,000	4,685,682	2,570,682
Beginning Net Position	<u>33,249,877</u>	<u>33,249,877</u>	<u>-</u>
Ending Net Position	<u><u>\$35,364,877</u></u>	<u><u>\$37,935,559</u></u>	<u><u>\$ 2,570,682</u></u>

Actual Operating Revenues were greater than budgeted Operating Revenues by a favorable variance of 1.29%. Actual Non-Operating Revenues were a favorable variance of \$1,870,939 due to an increase in interest income, forgiveness of debt, and other income.

Actual Other Operating Expenses were less than budgeted amounts by \$390,463 resulting in a favorable variance. Actual Non-operating Expenses were less than budgeted amounts by \$75,597 comprised primarily of decreased debt issuance cost. The major reasons for Actual Operating Expenses being under budget \$390,463 were expenses related to supplies having a \$427,069 favorable variance, salaries and wages being under budget by \$64,470, and contractual services being under budget by \$37,746, partially offset by utilities billing being over budget by \$90,0450, bad debt expense being over budget by \$47,598, and repairs and maintenance expenses being over budget by \$14,900.

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, 2025 and 2024, the District had the following number of customers:

	December 31, 2025	December 31, 2024	Increase (Decrease)
Customers			
Residential	24,183	23,652	531
Nonresidential	1,791	1,685	106
Total Customers	25,974	25,337	637

Revenue and Expense Data Per Customer Per Month

	December 31, 2025	December 31, 2024	Increase (Decrease)	Percentage Change
Water Sales	\$ 26.97	\$ 25.86	\$ 1.11	4%
Operating Revenues	30.24	28.69	1.55	5%
Total Revenues	38.66	36.64	2.02	6%
Operating Expenses	22.00	21.08	0.92	4%
Total Expenses	23.63	22.45	1.18	5%

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, 2025 and 2024.

	December 31, 2025	December 31, 2024	Increase (Decrease)
Accounts Receivable			
Current	\$ 667,987	\$ 810,164	\$ (142,177)
31-60 Days Past Due	30,788	45,427	(14,639)
Over 60 Days Past Due	111,587	194,292	(82,705)
Subtotal	810,362	1,049,883	(239,521)
Allowance for Uncollectible Accounts	(111,586)	(195,372)	83,786
	<u>\$ 698,776</u>	<u>\$ 854,511</u>	<u>\$ (155,735)</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ended December 31, 2025, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had \$40,684,655 (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, 2025	December 31, 2024	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 553,594	\$ 553,594	\$ -	0%
Construction in Progress	11,207,773	7,656,648	3,551,125	46%
Utility System	51,519,794	50,893,462	626,332	1%
Buildings	1,092,908	1,058,048	34,860	3%
Equipment	1,663,997	1,628,887	35,110	2%
Furniture and Fixtures	41,565	41,565	-	0%
Vehicles	774,152	563,972	210,180	37%
Right-to-Use Asset - IT Subscription	-	197,445	(197,445)	0%
Subtotal	66,853,783	62,593,621	4,260,162	7%
Less: Accumulated Depreciation/Amortization	(26,169,128)	(25,093,877)	(1,075,251)	4%
Net Capital Assets	<u>\$40,684,655</u>	<u>\$ 37,499,744</u>	<u>\$3,184,911</u>	8%

Long-Term Debt

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

Bonds financed for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana require a specific debt service to net income ratio, referred to as the “Bond Debt Coverage Ratio” in Footnote 9 – Long-Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 9, measures the extent to which revenues of the District are sufficient to cover the costs of operation and debt service including annual installments for debt service and required deposits to the Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The ratio of revenue to operating expenses, exclusive of non-cash flow items such as depreciation, and amortization, and the aforementioned debt requirements must equal at least 125%. For existing bonds at December 31, 2025, the Bond Debt Coverage Ratio exceeded the 125% requirement.

Future Economic Plans

Ward Two Water District of Livingston Parish, management’s 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. The District continues to grow to almost 26,000 customers (both residential and commercial). During 2024 and in 2025, based upon the District’s consulting engineer’s recommendation, resolutions were approved authorizing additional loan proceeds from the Department of Health and

Hospitals (DHH) to fund construction improvements and expansions focused upon electronic meter system to improve consistent reading of water usage along with better collection of water sales. This major capital outlay project (AMI Project) was ongoing during 2025 and will be completed before the end of 2026.

The AMI project investment through 2025 totals \$11,207,773 with approximately another \$1 million to complete the entire customer base being served with this electronic metering and billing system. This project not only improved efficiencies of operation but also cut operating expenses by the reduction of meter reading contract costs annually.

The customer base has shown consistent growth again since 2023. Development plans are once again taking shape which will again increase the customer base for the District in the years ahead. The District has expanded customer growth primarily in southern and southeastern portions of Livingston Parish via purchasing existing small water systems such as the Port Vincent and French Settlement areas. Further expansion into eastern areas will be explored in upcoming years as water demands arise. Expansionary plans and funding options are presently being considered. In 2025, the Emerging Contaminant Water Well Replacement Project was approved by the State of Louisiana with Federal participation for a replacement of an old problem well system at one of the District's oldest well sites. The funds were approved at a zero cost pay back feature through Government funding sources which will result in income and a large asset being realized at no cost.

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 Administration Director, Ward Two Water District of Livingston Parish, Post Office Box 637, Denham Springs, Louisiana 70727.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2025

(With Comparative Totals as of December 31, 2024)

	2025	2024
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,109,581	\$ 3,046,056
Investments	4,411,172	2,854,819
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$111,586 and \$195,372, respectively)	698,776	854,511
Unbilled Water Sales	432,754	405,094
Due from Other Governments	2,374	2,374
Other	3,815	-
	<u>1,137,719</u>	<u>1,261,979</u>
Restricted Assets:		
Cash and Cash Equivalents:		
Cash for Customer Deposits	81,385	60,426
Bond Covenant Accounts	4,909,025	4,686,817
Construction Account	246,356	90,158
	<u>5,236,766</u>	<u>4,837,401</u>
Restricted Investments	899,045	861,106
Due from Other Governments	777,741	1,954,947
	<u>6,913,552</u>	<u>7,653,454</u>
Inventory	741,662	721,915
Prepaid Insurance	263,565	270,306
Total Current Assets	<u>15,577,251</u>	<u>15,808,529</u>
Noncurrent Assets:		
Prepaid Items	23,600	28,660
Deposits	492	492
Capital Assets:		
Land and Construction in Progress	11,761,367	8,210,242
Other Capital Assets, at Cost (Net of Accumulated Depreciation/Amortization)	28,923,288	29,289,502
Total Capital Assets	<u>40,684,655</u>	<u>37,499,744</u>
Total Noncurrent Assets	<u>40,708,747</u>	<u>37,528,896</u>
Total Assets	<u>56,285,998</u>	<u>53,337,425</u>
<u>Deferred Outflows of Resources</u>		
Deferred Amount on Refunding of Debt	241,225	292,955
Total Assets and Deferred Outflows of Resources	<u>\$ 56,527,223</u>	<u>\$ 53,630,380</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF NET POSITION (CONTINUED)

AS OF DECEMBER 31, 2025
(With Comparative Totals as of December 31, 2024)

	<u>2025</u>	<u>2024</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 1,024,701	\$ 1,303,195
Accrued Payables	59,866	83,542
Construction Payable	787,727	2,353,337
Due to Other Governments	73,866	71,980
Compensated Absences Payable - Short-Term	54,668	60,219
Customer Deposits	1,810,951	1,759,484
Bond Anticipation Note Payable	1,569,837	2,737,828
Bonds Payable - Current Portion	1,896,469	1,713,645
Accrued Interest on Bonds Payable	<u>95,460</u>	<u>89,029</u>
Total Current Liabilities	7,373,545	10,172,259
Noncurrent Liabilities:		
Bonds Payable	11,054,117	10,027,586
Compensated Absences Payable - Long-Term	<u>164,002</u>	<u>180,658</u>
Total Long-Term Liabilities	<u>11,218,119</u>	<u>10,208,244</u>
Total Liabilities	18,591,664	20,380,503
<u>Net Position</u>		
Net Investment in Capital Assets	26,429,057	23,342,300
Restricted for:		
Capital Projects and Debt Service	5,049,935	4,289,556
Unrestricted	<u>6,456,567</u>	<u>5,618,021</u>
Total Net Position	<u>37,935,559</u>	<u>33,249,877</u>
Total Liabilities and Net Position	<u><u>\$ 56,527,223</u></u>	<u><u>\$ 53,630,380</u></u>

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
Operating Revenues:		
Water Sales	\$ 8,406,134	\$ 7,863,825
Water Tap Fees	241,615	303,680
Service and Penalty Charges	167,552	134,744
Sewer Billing Fees	182,037	159,454
Other	290,021	260,221
Total Operating Revenues	9,287,359	8,721,924
Operating Expenses:		
Personal Services and Benefits	2,569,030	2,252,964
Bad Debts	74,598	34,328
Bank Fees	295,669	253,236
Contractual Services	278,254	405,268
Depreciation	1,396,448	1,344,411
Amortization - IT Subscription	8,228	98,722
Insurance	342,660	177,464
Office Expense	312,365	319,821
Repairs and Maintenance	562,900	672,052
Supplies	225,431	201,023
Utilities	565,645	538,042
Utility Billing	90,450	-
Vehicle Expense	136,535	112,509
Total Operating Expenses	6,858,213	6,409,840
Operating Income	2,429,146	2,312,084
Nonoperating Revenues (Expenses):		
Interest Income	413,671	407,669
Interest Expense	(429,560)	(414,891)
Loan Forgiveness	1,776,499	1,629,130
Gain (Loss) on Disposal of Assets	48,407	8,045
Debt Issuance Cost	(76,843)	-
Other Income	400,717	252,686
Amortization of Bond Premium	123,645	119,821
Total Nonoperating Revenues (Expenses)	2,256,536	2,002,460
Change in Net Position	4,685,682	4,314,544
Net Position - Beginning of Year	33,249,877	28,935,333
Net Position - End of Year	\$ 37,935,559	\$ 33,249,877

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 9,337,021	\$ 8,881,589
Cash Payments to Suppliers for Goods and Services	(3,099,523)	(2,693,803)
Cash Payments to Employees for Services and Benefits	(2,614,913)	(2,275,582)
Other Receipts (Payments)	<u>405,777</u>	<u>257,591</u>
Net Cash Provided by Operating Activities	4,028,362	4,169,795
Cash Flows from Capital and Related Financing Activities:		
Payments for Acquisition and Construction of Capital Assets	(6,155,197)	(4,322,830)
Proceeds from Sale of Assets	48,407	8,045
Interest Expense Paid	(371,399)	(371,494)
Proceeds from Issuance of Debt	4,802,714	3,399,196
Principal Repayment on Debt	(1,684,000)	(1,661,375)
Debt Issuance Cost Paid	(76,843)	-
Net Receipts from Customer Deposits	<u>51,467</u>	<u>69,064</u>
Net Cash Used in Capital and Related Financing Activities	(3,384,851)	(2,879,394)
Cash Flows from Investing Activities:		
Interest Income Received	413,671	407,669
Net Purchase of Investments	<u>(1,594,292)</u>	<u>(1,154,475)</u>
Net Cash Used in Investing Activities	<u>(1,180,621)</u>	<u>(746,806)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(537,110)	543,595
Cash and Cash Equivalents, Beginning of Year	<u>7,883,457</u>	<u>7,339,862</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,346,347</u></u>	<u><u>\$ 7,883,457</u></u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,429,146	\$ 2,312,084
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,396,448	1,344,411
Amortization	8,228	98,722
Provision for Bad Debt	74,598	34,328
Miscellaneous Revenues Less Expenses	405,777	257,591
(Increase) Decrease in Accounts Receivable	81,137	16,049
(Increase) Decrease in Unbilled Receivable	(27,660)	(93,590)
(Increase) Decrease in Other Receivable	(3,815)	31,112
(Increase) Decrease in Due from Other Governments	-	206,094
(Increase) Decrease in Inventory	(19,747)	(12,554)
(Increase) Decrease in Prepaid Insurance	6,741	(145,362)
Increase (Decrease) in Accounts Payable	(278,494)	141,709
Increase (Decrease) in Compensated Absences	(22,207)	(33,138)
Increase (Decrease) in Accrued Expenses	(23,676)	10,520
Increase (Decrease) in Due to Other Governments	1,886	1,819
Net Cash Provided by Operating Activities	<u>\$ 4,028,362</u>	<u>\$ 4,169,795</u>
Schedule of Noncash Capital and Related Financing Activities:		
Amortization of Bond Premium	<u>\$ 123,645</u>	<u>\$ 119,821</u>
Amortization of Advanced Refunding Difference	<u>\$ 51,730</u>	<u>\$ 50,129</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents, Unrestricted	\$ 2,109,581	\$ 3,046,056
Cash and Cash Equivalents, Restricted	<u>5,236,766</u>	<u>4,837,401</u>
Total Cash and Cash Equivalents	<u>\$ 7,346,347</u>	<u>\$ 7,883,457</u>

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2025

(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, 2025 there were 25,974 metered customers, representing an increase in customers of 637 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

B. Financial Reporting Entity

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

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

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

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

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

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

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

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

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

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

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

D. Deposits and Investments

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

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

E. Inventories

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

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2025.

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, 2025

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

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

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

J. Accumulated Unpaid Vacation and Sick Pay

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

The cost of leave privileges is computed in accordance with GASB Codification Section C60. In accordance with GASB 101 and the District's compensated absences policies, the District's compensated absences liabilities are recognized as earned for vacation and determined more likely than not to be used for time off for sick leave.

K. Long-Term Obligations

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

L. Net Position

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

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

M. Summary Financial Information for 2024

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, 2024, from which the summarized information was derived.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

N. Current Year Adoption of New Accounting Standards

During the year, the District adopted GASB Statement No. 102, Certain Risk Disclosures. This new accounting standard had no material effect on the District's financial statements.

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

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

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments at December 31, 2025:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 1,000	\$ -
Demand Deposits and Savings Accounts	2,436,322	2,487,762
Restricted Cash Held in Bank Trust Accounts	<u>4,909,025</u>	<u>4,909,025</u>
	<u>\$7,346,347</u>	<u>\$7,396,787</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Even though the pledged securities may be considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged 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, 2025, the District has \$2,487,762 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 \$1,987,762 of demand deposits and savings accounts are secured by pledged securities. The \$1,987,762 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).

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

(3) Investments -

All investments are stated on the balance sheet (carrying value) at market value. At December 31, 2025, all investments are in Louisiana Asset Management Pool (LAMP), a local government external investment pool.

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

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

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

- **Credit risk**: LAMP is rated AAAm by Standards and Poor's.
- **Custodial credit risk**: In the case of LAMP participants, investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- **Concentration of credit risk**: Pooled investments are excluded from the five percent disclosure requirement.
- **Interest rate risk**: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 73 days as of December 31, 2025.
- **Foreign currency risk**: Not applicable.

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

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

At December 31, 2025, the District had the following investments:

	Carrying Amount	Market Value
Louisiana Asset Management Pool (LAMP):		
Investments	\$ 4,411,172	\$ 4,411,172
Restricted Investments	899,045	899,045
	<u>\$ 5,310,217</u>	<u>\$ 5,310,217</u>

(4) Receivables -

The following is a summary of receivables at December 31, 2025:

Accounts Receivable:	
Current	\$ 667,987
31-60 Days Past Due	30,788
Over 60 Days Past Due	111,587
Subtotal	810,362
Less: Allowance for Uncollectible Accounts	(111,586)
Net Accounts Receivable	<u>\$ 698,776</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 \$74,598 for the year ended December 31, 2025.

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, 2025, accrued amounts were \$432,754.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

(5) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2025 is as follows:

	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
Capital Assets not being Depreciated:				
Land	\$ 553,594	\$ -	\$ -	\$ 553,594
Construction in Progress	7,656,648	3,763,015	(211,890)	11,207,773
Total Capital Assets not being Depreciated	8,210,242	3,763,015	(211,890)	11,761,367
Capital Assets being Depreciated:				
Buildings and Improvements	1,058,048	34,860	-	1,092,908
Equipment	1,628,887	91,727	(56,617)	1,663,997
Furniture and Fixtures	41,565	-	-	41,565
Vehicles	563,972	285,543	(75,363)	774,152
Utility System	50,893,462	626,332	-	51,519,794
Total Capital Assets being Depreciated	54,185,934	1,038,462	(131,980)	55,092,416
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	418,803	26,851	-	445,654
Equipment	1,391,829	56,719	(56,617)	1,391,931
Furniture and Fixtures	41,565	-	-	41,565
Vehicles	456,935	54,311	(75,363)	435,883
Utility System	22,595,528	1,258,567	-	23,854,095
Total Accumulated Depreciation	24,904,660	1,396,448	(131,980)	26,169,128
Total Capital Assets being Depreciated, Net	29,281,274	(357,986)	-	28,923,288
Capital Assets being Amortized:				
Right-to-Use Asset - IT Subscription	197,445	-	(197,445)	-
Less Accumulated Amortization for:				
Right-to-Use Asset - IT Subscription	189,217	8,228	(197,445)	-
Total Capital Assets being Amortized, Net	8,228	(8,228)	-	-
Total Capital Assets, Net	\$ 37,499,744	\$ 3,396,801	\$ (211,890)	\$ 40,684,655

For the year ended December 31, 2025, depreciation and IT subscription amortization expense was \$1,396,448 and \$8,228, respectively.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

A summary of commitments under construction contracts for the District at December 31, 2025 follows:

	<u>Projection Authorization</u>	<u>Expended to December 31, 2024</u>	<u>Unexpended Commitment</u>
Advanced Metering Infrastructure Project	\$ 15,409,626	\$ 10,794,371	\$ 4,615,255
Eden Church Well Replacement	382,199	382,199	-
Linder Road Waterline Relocation	31,203	31,203	-
	<u>\$ 15,823,028</u>	<u>\$ 11,207,773</u>	<u>\$ 4,615,255</u>

(6) Short-Term Debt -

On June 24, 2025, the District entered into a loan agreement with the DHH to borrow funds available in the 2025A Drinking Water Revolving Loan Fund up to the maximum sum of \$4,000,000. The funds will be used to finance the acquisition, construction and installation of improvements, extensions, and replacements to the water system, including but not limited to installation of automatic meter infrastructure and automatic read meters throughout the system and paying the costs of issuing the bonds. The loan is entitled to principal forgiveness of up to 49% of the total amount of draws on the loan not to exceed \$1,960,000. The District received \$1,776,499 of forgiveness during 2025. Once construction is finalized, the portion of the loan not forgiven will be converted to a bond payable issued at 2.45% per annum, maturing in 2045.

For the year ended December 31, 2025, the Series 2025A project is not complete, with total bond proceeds received reported as Bond Anticipation Note Payable with a balance of \$1,569,837 (\$3,078,111 drawn less \$1,508,274 forgiveness/principal payments).

(7) Long-Term Obligations -

The following is a summary of long-term obligation transactions for the year ended December 31, 2025:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

	Balance			Balance	Due Within
Direct Placement Borrowings	December 31, 2024	Additions	Deletions	December 31, 2025	One Year
2021 Water Revenue					
Refunding Bonds	\$ 8,240,000	\$ -	\$ (1,455,000)	\$ 6,785,000	\$1,500,000
2020 Water Revenue Bond	2,801,000	-	(135,000)	2,666,000	138,000
2023 Water Revenue Bond	-	3,017,000	(94,000)	2,923,000	131,000
Total Debt	11,041,000	3,017,000	(1,684,000)	12,374,000	1,769,000
Less: Unamortized Premium	700,231	-	(123,645)	576,586	127,469
Total Direct Placement					
Borrowings	11,741,231	3,017,000	(1,807,645)	12,950,586	1,896,469
Compensated Absences	240,877	-	(22,207) *	218,670	54,668
Total Long-Term Obligations	\$ 11,982,108	\$3,017,000	\$ (1,829,852)	\$ 13,169,256	\$1,951,137

*Presented Net

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 by \$827,466 and resulted in an economic gain of \$788,666.

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

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

DECEMBER 31, 2025

Series 2021 Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,500,000	\$ 193,900	\$ 1,693,900
2027	1,125,000	148,900	1,273,900
2028	1,180,000	102,800	1,282,800
2029	1,220,000	60,900	1,280,900
2030	740,000	31,500	771,500
2031 to 2032	1,020,000	20,500	1,040,500
	<u>\$ 6,785,000</u>	<u>\$ 558,500</u>	<u>\$ 7,343,500</u>

2020 Water Revenue Bond:

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

Series 2020 Water Revenue Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin. Fee</u>	<u>Total</u>
2026	\$ 138,000	\$ 50,642	\$ 12,985	\$ 201,627
2027	141,000	47,921	12,288	201,209
2028	145,000	45,133	11,573	201,706
2029	149,000	42,266	10,838	202,104
2030	152,000	39,332	10,085	201,417
2031 to 2035	820,000	150,053	38,475	1,008,528
2036 to 2040	923,000	65,179	16,713	1,004,892
2041 to 2043	198,000	1,929	493	200,422
	<u>\$ 2,666,000</u>	<u>\$ 442,455</u>	<u>\$ 113,450</u>	<u>\$ 3,221,905</u>

2023 Water Revenue Bond:

The \$6,000,000 bonds were issued on April 27, 2023, and are due to the Louisiana DHH at 2.45% per annum (interest at 1.95% and a DHH Administrative Fee of 0.50%) maturing in 2043. . During the current year, these bonds were converted from a bond anticipation note to a bond payable as a result of construction being finalized in 2025. Installments on interest are due on October 1 and April 1 each year, with principal installments due on April 1 of each year. The bonds were issued through the Louisiana DHH via the Drinking Water Revolving Loan Fund to fund water system projects. The debt service requirements to maturity for the 2023 Water Revenue Bonds are as follows:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

Series 2023 Water Revenue Bonds

Year	Principal	Interest	Admin. Fee	Total
2026	\$ 131,000	\$ 55,721	\$ 14,288	\$ 201,009
2027	135,000	55,128	13,623	203,751
2028	138,000	50,466	12,940	201,406
2029	141,000	47,746	12,243	200,989
2030	145,000	44,957	11,528	201,485
2031 to 2035	777,000	180,599	46,308	1,003,907
2036 to 2040	876,000	100,074	25,660	1,001,734
2041 to 2043	580,000	17,141	4,392	601,533
	<u>\$ 2,923,000</u>	<u>\$ 551,832</u>	<u>\$ 140,982</u>	<u>\$ 3,615,814</u>

Direct Borrowings Debt Service Requirements to Maturity:

The annual requirements to amortize all long-term debt outstanding as of December 31, 2025 including expected interest payments of \$1,552,787 and administrative fees of \$254,432 are as follows:

Direct Borrowings for	Principal	Interest	Admin. Fee	Total
2026	\$ 1,769,000	\$ 300,263	\$ 27,273	\$ 2,096,536
2027	1,401,000	251,949	25,911	1,678,860
2028	1,463,000	198,399	24,513	1,685,912
2029	1,510,000	150,912	23,081	1,683,993
2030	1,037,000	115,789	21,613	1,174,402
2031 to 2035	2,617,000	351,152	84,783	3,052,935
2036 to 2040	1,799,000	165,253	42,373	2,006,626
2041 to 2043	778,000	19,070	4,885	801,955
	<u>\$ 12,374,000</u>	<u>\$ 1,552,787</u>	<u>\$ 254,432</u>	<u>\$ 14,181,219</u>

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

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

The District entered into a SBITA with a term of two years and no options to renew. The 2 year daily treasury par yield curve rate of 4.6% was used to calculate the present value of lease payments at the commencement date of the contract. As of December 31, 2025, right-to-use IT subscription assets net of accumulated amortization was \$-0- and IT subscription liability was \$-0-. For the year ended December 31, 2025, amortization expense related to this SBITA was \$8,228 and interest expense in the amount of \$-0- was reported. There are no remaining principal or interest payments on the IT subscription liability.

(8) Deferred Outflows of Resources -

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* provide guidance on reporting the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding 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, 2025, the District had a deferred amount on refunding of debt of \$241,225, all of which is related to the 2021 advanced refunding of debt.

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

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2025. As of December 31, 2025, debt covenants relate to existing parity bonds, consisting of the Series 2021 Water Revenue Refunding Bonds and the Series 2020, 2023, and 2025A Water Revenue Bonds. The District's compliance with bond covenants as of December 31, 2025, 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	\$ 1,452,907	\$ 2,355,022	\$ 500,000	\$ 4,307,929
Current Reserved Amount	1,453,685	2,841,357	613,983	4,909,025
Amount Over (Under) Funded	\$ 778	\$ 486,335	\$ 113,983	\$ 601,096

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

Sinking Fund Requirements

Bond covenants require the maintenance of a separately identifiable fund or account designated as the “Sinking Fund” into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the “Bonds and the Parity Obligations” as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20th day of each month of each year a sum equal to 1/6 of the interest and administrative fee falling due on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal falling due on the Bonds on any principal date within the next twelve months, together with any proportionate monthly sum as may be required to pay said principal, interest, and administrative fee as they become due. The bond covenants language and requirements apply to existing Parity obligations, including the Series 2021 Water Revenue Refunding Bonds, the Series 2020 Water Revenue Bonds, Series 2023 Water Revenue Bonds, and the Series 2025A Water Revenue Bonds.

At December 31, 2025, the District Sinking Fund bond deposits requirements were adequately funded for the 2025A, 2023, 2021, and 2020 bond issues. The District made the required installments for the year ended December 31, 2025.

Bond Reserve Fund

Bond Reserve Fund covenants require the maintenance of a separately identifiable account designated as the “Reserve Fund” into which is to be deposited monthly, on or before the 20th day of each month of each year, a sum at least equal to 25 percent of the amount required to be paid into the Sinking Fund for each month with respect to the Bonds, until such time as there has been accumulated therein a sum equal to the highest amount of principal and interest due in any given year on the Bonds (the “Reserve Fund Requirement”), the Series 2021 Water Revenue Refunding Bonds and 2020, 2023, and 2025A Water Revenue Bonds, and any additional Parity Obligations hereafter issued. At December 31, 2025, the District maintained a balance of \$2,841,357 which was \$486,335 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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

Requirement”), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the Renewal and Replacement Fund Requirement, in which event such payments shall be resumed and continue until said Renewal and Replacement is again accumulated.

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

For the year ended December 31, 2025, the Renewal and Replacement Fund was fully funded with a balance of \$613,983.

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 2025A Water Revenue Bond, Series 2023 Water Revenue Bond, Series 2021 Water Revenue Refunding Bonds Resolution, Series 2020 Water Revenue Bonds Resolution, and any resolution relating to additional Parity Obligations. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes.

The calculated bond debt coverage ratio for existing Parity Obligations, including Series 2021, Series 2020, Series 2023, and Series 2025 bonds, exceeded the 125 percent ratio for the year ended December 31, 2025.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

(10) Restricted Net Position -

At December 31, 2025, the District recorded \$5,049,935 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

(11) Risk Management -

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

(12) Litigation -

There is no outstanding litigation at December 31, 2025 for Ward Two Water District of Livingston Parish warranting accrual.

(13) Compensated Absences and Retirement Plan -

At December 31, 2025, the employees of the District have accumulated and vested \$218,670 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post employment benefits.

The District contributes to the Social Security System as required by law. In September 2012, the District adopted a 457(b) deferred compensation plan and the District elected to match employee contributions up to a maximum of 5 percent. The District contributed \$66,266 into the 457(b) plan during 2025. Under the 457(b) plan, the District's contributions are vested based on an employee's years of service in accordance with the terms of the Adoption Agreement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

(14) Compensation Paid to Board Members -

Compensation paid to the board members for 2025 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	\$ 1,400
Chris Robert Taylor (225) 347-9806	Board Member	23682 Parkland Avenue Denham Springs, LA 70726	1,400
Steven McDaniel (225) 278-2003	Board Member	14370 Dallas Drive Denham Springs, LA 70726	1,200
Walley Avara (225) 964-5551	Board Member	14318 Brown Road Denham Springs, LA 70726	1,400
Melissa Bennett (225) 252-4677	Board Member	30731 Summer Run Ct Denham Springs, LA 70726	1,000
Shevis Ball (225) 938-1775	Vice - President	39765 Louisiana Highway 16 Denham Springs, LA 70706	1,300
Jeffery Scott Martone (225) 305-8279	Secretary - Treasurer	19338 Gourdon Lane Port Vincent, LA 70726	1,100
			<u>\$ 8,800</u>

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

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

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by John Easterly, the District's Board President, who was the acting agency head for the year ended December 31, 2025:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2025

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - Health Insurance	8,969
Benefits - Retirement	-
Benefits - Life Insurance	39
Benefits - Vision & Dental Insurance	572
Per Diem	1,400
Reimbursements	-
	<u>\$ 10,980</u>

(16) Current Accounting Pronouncements -

The following statements of the Governmental Accounting Standards Board will be effective for years subsequent to the District's 2025 fiscal year.

1. Statement No. 103 – *Financial Reporting Model Improvements* (2026)
2. Statement No. 104 – *Disclosure of Certain Capital Assets* (2026)
3. Statement No. 105 – *Subsequent Events* (2026)

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

(17) Subsequent Events -

Subsequent to the year-end on June 10, 2026, 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 \$4,460,000. 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 the installation of automatic meter infrastructure and automatic read meters throughout the system and paying the costs of issuing the bonds. The loan is entitled to principal forgiveness of up to 100% of the total amount of draws on the loan not to exceed \$4,460,000.

Subsequent events have been evaluated by management through June 23, 2026, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date.

OTHER SUPPLEMENTARY INFORMATION

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

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

FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Water Sales	\$ 7,300,000	\$ 8,250,000	\$ 8,406,134	\$ 156,134
Water Tap Fees	287,000	267,000	241,615	(25,385)
Service and Penalty Charges	92,000	178,000	167,552	(10,448)
Sewer Billing Fees	168,000	189,000	182,037	(6,963)
Other	268,000	285,000	290,021	5,021
Total Operating Revenues	8,115,000	9,169,000	9,287,359	118,359
Operating Expenses:				
Personal Services and Benefits:				
Salaries and Wages	1,620,000	1,804,000	1,748,750	55,250
Director's Fees	8,400	8,500	8,800	(300)
Employee Benefits and Payroll Taxes	734,000	821,000	811,480	9,520
	2,362,400	2,633,500	2,569,030	64,470
Bad Debts	27,000	27,000	74,598	(47,598)
Bank Card Charges and Fees	255,000	285,000	295,669	(10,669)
Contractual Services:				
Professional Fees	250,000	272,000	239,254	32,746
Telemetry	45,000	44,000	39,000	5,000
	295,000	316,000	278,254	37,746
Depreciation	1,450,000	1,475,000	1,396,448	78,552
Amortization - IT Subscription	40,000	45,000	8,228	36,772
Insurance	320,000	332,000	342,660	(10,660)
Office Expense:				
Advertising	8,000	5,000	3,882	1,118
Computer and Printer Supplies	140,000	137,000	122,425	14,575
Miscellaneous	26,000	19,000	17,828	1,172
Postage	150,000	184,000	168,230	15,770
	324,000	345,000	312,365	32,635
Repairs and Maintenance	584,000	548,000	562,900	(14,900)
Supplies:				
Chlorination	140,000	155,000	143,681	11,319
Miscellaneous	771,000	448,500	26,943	421,557
Supplies	60,000	49,000	54,807	(5,807)
	971,000	652,500	225,431	427,069

(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, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Expenses (Continued):				
Utilities:				
Utilities	490,000	532,000	522,895	9,105
Telephone	51,600	45,000	42,750	2,250
	541,600	577,000	565,645	11,355
Utility Billing	-	-	90,450	(90,450)
Vehicle Expense	135,000	128,000	136,535	(8,535)
Total Operating Expenses	7,305,000	7,364,000	6,858,213	505,787
Operating Income	810,000	1,805,000	2,429,146	624,146
Nonoperating Revenues (Expenses):				
Interest Income	370,000	385,000	413,671	28,671
Interest Expense	(480,000)	(505,000)	(429,560)	75,440
Loan Forgiveness	-	-	1,776,499	1,776,499
Gain (Loss) on Disposal of Assets	-	191,000	48,407	(142,593)
Debt Issuance Cost	-	(77,000)	(76,843)	157
Other Income	100,000	316,000	400,717	84,717
Amortization of Bond Premium	-	-	123,645	123,645
Total Nonoperating Revenues (Expenses)	(10,000)	310,000	2,256,536	1,946,536
Change in Net Position	800,000	2,115,000	4,685,682	2,570,682
 Net Position - Beginning of Year	 33,249,877	 33,249,877	 33,249,877	 -
Net Position - End of Year	<u>\$ 34,049,877</u>	<u>\$ 35,364,877</u>	<u>\$ 37,935,559</u>	<u>\$ 2,570,682</u>

See independent auditor's report.

FOR THE YEAR ENDED DECEMBER 31, 2025

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WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2025

Insurance Company / Policy Number	Coverage	Amount	Policy Period
American Alternative Ins Corp Policy Number T9A2CP0000824-00	Crime Coverage: Employee Theft Forgery and Alteration Inside the Premises/Theft of Money & Securities Inside the Premises/Robbery/Safe Burglary Outside the Premises Computer & Funds Transfer Fraud Money Orders or Fraudulent Impersonation (Deductible: \$1,000 Per Occurrence)	 1,000,000 500,000 250,000 100,000 250,000 500,000 250,000	10/31/2025 to 10/31/2026
Travelers Casualty & Surety Company of America Policy Number 107531648	Cyber Liability: Privacy & Network Security Breach Response Services Cyber Crime/Computer Fraud Funds Transfer Fraud Cyber Crime/Computer Fraud Social Engineering Fraud Telecom Fraud Business Interruption (Retention \$10,000 Per Occurrence)	 1,000,000 1,000,000 250,000 250,000 250,000 100,000 100,000 1,000,000	10/31/2025 to 10/31/2026
Houston Specialty Ins Co Policy Number HSLR180941600	Automobile Coverage: Physical Damage Liability /Combined Single Limit Uninsured Motorist	 Per Schedule on File 1,000,000 n/a	10/31/2025 to 10/31/2026
Louisiana Workers Compensation Corporation Policy Number 77205-S	Workers Compensation Insurance: State of Louisiana Coverage Only Employers Liability Insurance Bodily Injury by Accident - Each Accident Bodily Injury by Disease - Policy Limit Bodily Injury by Disease - Each Employee	 1,000,000 1,000,000 1,000,000	10/31/2025 to 10/31/2026
Wright National Flood Ins Co Policy Number 17 115182658105 (30772 Carter Dr. Denham Springs LA)	Flood Insurance: Building (\$2,000 Deductible) Contents (\$2,000 Deductible)	 500,000 488,000	6/13/2025 to 6/13/2026

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, 2025

Water Fees		Tap Fees	
		Inch Tap	Fee
First 2,000 Gallons	\$ 13.50	3/4" Tap	\$ 385
All over 2,000 Gallons - Per Thousand	2.52	1" Tap	\$ 560
		1 1/4" Tap	\$ 640
		1 1/2" Tap	\$ 650
		2" Tap	\$ 700
		Tap Greater Than 2"	\$ 2,200
Customers			
Residential	24,183		
Nonresidential	1,791		
Total Customers	<u>25,974</u>		

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed-through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>United States Environmental Protection Agency:</u>				
Passed Through Louisiana Department of Health and Hospitals:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	\$ -	\$ 3,625,507
Total Environmental Protection Agency			-	3,625,507
<u>United States Department of Homeland Security</u>				
Passed Through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:				
Disaster Grant - Public Assistance - Hurricane Ida	97.036	N/A	-	137,995
Total Expenditures of Federal Awards			\$ -	\$ 3,763,502

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2025

Note A - Significant Accounting Policies -

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

Note B - Indirect Cost Rate Election -

The District did not elect to use the 15% de minimis indirect cost rate during the year ended December 31, 2025.

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*



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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2025, 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 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 23, 2026

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Ward Two Water District of Livingston Parish's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Ward Two Water District of Livingston Parish complied, in all material respects, with compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 23, 2026

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2025

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> x </u> No
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The following program was tested as a major program:

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

- The dollar threshold for distinguishing Types A and B programs
was \$1,000,000.

- Auditee qualified as a low risk auditee?	<u> x </u> Yes	<u> </u> No
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WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

Section II: Financial Statement Findings

1. Internal control Over Financial Reporting

None.

2. Compliance and Other Matters

None.

Section III: Federal Awards Findings

1. Internal Control Over Compliance of Federal Awards

None.

2. Compliance

None.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2025

Section II: Financial Statement Findings

1. Internal control Over Financial Reporting

None.

2. Compliance and Other Matters

None.

Section III: Findings - Federal Award Programs

1. Findings - Internal Control Over Compliance of Federal Awards

None.

2. Findings - Compliance

None.

WARD TWO WATER DISTRICT OF LIVINGSTON

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2025

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
And the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. 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, 2025 through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

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

- iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation). – **No exceptions noted.**
- v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules. – **No exceptions noted.**
- vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process. – **No exceptions noted.**
- vii. ***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.**
- viii. ***Credit Cards (and debit cards, fuel cards, purchase 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.**
- ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy. – **No exceptions noted.**
- x. ***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.**
- xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. – **No exceptions noted.**
- xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting. – **No exceptions noted.**

2) Board or Finance Committee

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

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

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged); – **No exceptions noted.**
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and – **No exceptions noted.**
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No exceptions noted.**

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5). – **No exceptions noted.**
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers. – **No exceptions noted.**

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

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5). – **No exceptions noted.**
- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. – **No exceptions noted.**
 - ii. At least two employees are involved in processing and approving payments to vendors. – **No exceptions noted.**

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files. – **No exceptions noted.**
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments. – **No exceptions noted.**
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means. – **No exceptions noted.**
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and: – **No exceptions noted.**
- i. Observe whether the disbursement, whether by paper or electronic, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity. – **No exceptions noted.**
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B above, as applicable. – **No exceptions noted.**
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.* – **No exceptions noted.**

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.**
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and – **No exceptions noted.**
 - ii. Observe that finance charges and late fees were not assessed on the selected statements. – **No exceptions noted.**

- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny. – **No exceptions noted.**
- D. Using the listing of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees’ authorization has been removed. – **No exceptions.**

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected: – **There were no travel and travel related expense reimbursements during the current fiscal period. Obtained management’s representation that there were none.**
- i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide) or the U.S. General Services Administration (www.gsa.gov). – **N/A for current year. See above note.**
 - ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **N/A for current year. See above note.**
 - iii. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures #1A(vii); and – **N/A for current year. See above note.**
 - iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **N/A for current year. See above note.**

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **No exceptions noted.**

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter). – **No exceptions noted.**
- iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and – **No exceptions noted.**
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract. – **No exceptions noted.**

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. – **No exceptions noted.**
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). – **No exceptions noted.**
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials. – **No exceptions noted.**
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records. – **No exceptions noted.**
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file. – **No exceptions noted.**
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy. – **No exceptions noted.**
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines. – **No exceptions noted.**

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A above obtain ethics documentation from management, and:
 - i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and – **No exceptions noted.**

- ii. 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.**
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170. – **No exceptions noted.**

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution. – **No exceptions noted.**
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants). – **No exceptions noted.**

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523. – **No exceptions noted.**
- B. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. – **No exceptions noted.**

13) Information Technology Disaster Recovery/Business Continuity

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.**
- D. 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.**
- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows: – **We performed the procedure and discussed the results with management.**
 - a) Hired before June 9, 2020 - completed the training; and
 - b) Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343. – **No exceptions noted.**
- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website). – **No exceptions noted.**
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344: – **No exceptions noted.**
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

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

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

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

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 23, 2026