

LAKE LIVINGSTON WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Livingston Water Supply Corporation
Livingston, Texas

Opinion

We have audited the accompanying financial statements of Lake Livingston Water Supply Corporation (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Livingston Water Supply Corporation as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Livingston Water Supply Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Livingston Water Supply Corporation'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 Lake Livingston Water Supply Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Water Usage Details and Statistics is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lufkin, Texas
March 20, 2025


CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS

LAKE LIVINGSTON WATER SUPPLY CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 621 331	\$ 1 857 014
Accounts Receivable:		
Trade (net of allowance of \$37,966 for 2024 and 2023)	861 767	778 762
Contract and other receivables	-	557
Prepaid expenses	354 034	285 388
Inventory	<u>398 962</u>	<u>318 594</u>
TOTAL CURRENT ASSETS	<u>2 236 094</u>	<u>3 240 315</u>
Reserve Funds:		
Cash and cash equivalents	<u>2 103 305</u>	<u>3 204 538</u>
TOTAL RESERVE FUNDS	<u>2 103 305</u>	<u>3 204 538</u>
Property, Plant and Equipment:		
Land	928 111	928 111
Buildings	1 768 321	1 768 321
Water supply and distribution	36 667 935	36 276 690
Transportation equipment	927 952	871 162
Office furniture and equipment	425 778	276 046
Construction in progress	3 905 226	1 526 856
Capital lease asset	<u>95 058</u>	<u>98 194</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	44 718 381	41 745 380
Less: Accumulated depreciation	<u>(18 923 649)</u>	<u>(17 947 716)</u>
TOTAL NET PROPERTY, PLANT AND EQUIPMENT	<u>25 794 732</u>	<u>23 797 664</u>
Other Assets:		
Investments - CoBank	<u>144 263</u>	<u>157 217</u>
TOTAL OTHER ASSETS	<u>144 263</u>	<u>157 217</u>
TOTAL ASSETS	<u>\$ 30 278 394</u>	<u>\$ 30 399 734</u>

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

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 63 400	\$ 318 015
Accrued liabilities	394 244	362 514
Customer deposits	320 989	292 701
Current portion of long-term debt	<u>1 779 117</u>	<u>1 766 138</u>
TOTAL CURRENT LIABILITIES	<u>2 557 750</u>	<u>2 739 368</u>
Long-Term Liabilities:		
Long-term debt, net debt issuance cost	<u>11 108 685</u>	<u>11 926 838</u>
TOTAL LONG-TERM LIABILITIES	<u>11 108 685</u>	<u>11 926 838</u>
TOTAL LIABILITIES	<u>13 666 435</u>	<u>14 666 206</u>
Net Assets:		
Restricted net assets: Membership certificates	<u>792 550</u>	<u>760 600</u>
Unrestricted Net Assets:		
Reserved	2 103 305	3 204 538
Unreserved	<u>13 716 104</u>	<u>11 768 390</u>
TOTAL UNRESTRICTED NET ASSETS	<u>15 819 409</u>	<u>14 972 928</u>
TOTAL NET ASSETS	<u>16 611 959</u>	<u>15 733 528</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 30 278 394</u>	 <u>\$ 30 399 734</u>

LAKE LIVINGSTON WATER SUPPLY CORPORATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating Income:		
Water revenues	\$ 6 750 417	\$ 6 663 782
Tap fees	158 925	161 520
Late charges, and return check charges	84 857	93 005
Disconnect fees	33 700	39 400
Other operating income	118 107	78 577
TOTAL OPERATING INCOME	<u>7 146 006</u>	<u>7 036 284</u>
Operating Expenses:		
Annual meeting	5 211	54
Bad debts	52 381	49 573
Bank fees	1 811	1 751
Board of Directors expenses and fees	39 814	51 994
Chemical usage	85 657	193 366
Other employee benefits	2 047	10 299
Communications and telephone	44 347	43 374
Commitment fees	1 017	1 014
Computer operations	52 687	52 309
Customer relations	26 697	12 921
Depreciation and amortization	1 019 608	967 739
Dues and subscriptions	5 831	17 681
Education	14 197	7 328
Flower fund	387	483
Insurance	530 942	504 835
Inventory adjustments	5 637	17 793
Laboratory testing	89 325	72 334
Legal and professional services	176 450	238 220
Meals and travel	705	4 256
Office supplies	27 633	24 925
Operational fees	27 128	22 860
Other	36 583	21 780
Payroll taxes	153 867	156 885
Pension - 401(k)	44 315	46 079
Postage	22 398	20 365
Rent	24 993	23 400
Repairs and maintenance	787 875	685 492
Salaries and wages	2 122 809	2 191 025
Uniform services	11 407	4 969
Utilities	213 014	222 100
Vehicle	148 712	159 790
Water purchases and standby fees	419 200	82 254
Water production fees	36 305	14 444
TOTAL OPERATING EXPENSES	<u>6 230 990</u>	<u>5 923 692</u>
OPERATING INCOME	<u>915 016</u>	<u>1 112 592</u>
Other Income (Expenses):		
Dividend income	30 512	88 857
Interest income	19 315	18 828
Interest expense	(227 373)	(235 583)
Other income	109 011	2 319
TOTAL OTHER INCOME (EXPENSES)	<u>(68 535)</u>	<u>(125 579)</u>
CHANGE IN UNRESTRICTED NET ASSETS	878 431	1 032 613
Unrestricted net assets, beginning of year	15 733 528	14 700 915
UNRESTRICTED NET ASSETS, END OF YEAR	<u>15 819 409</u>	<u>14 972 928</u>
Restricted Net Assets:		
Membership certificates, Beginning of the year	760 600	715 000
Net additions	31 950	45 600
RESTRICTED NET ASSETS BALANCE, END OF YEAR	<u>792 550</u>	<u>760 600</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 16 611 959</u>	<u>\$ 15 733 528</u>

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

LAKE LIVINGSTON WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Cash received from members	\$ 7 063 558	\$ 7 081 089
Cash paid for payroll and related taxes	(2 290 496)	(2 267 266)
Cash paid to suppliers for operating expenses	(3 038 749)	(2 500 542)
Interest, dividends and grants received	158 838	108 729
Interest paid	(182 582)	(192 442)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1 710 569</u>	<u>2 229 568</u>
Cash Flows from Investing Activities:		
Cash payments for the purchases of fixed assets	(3 271 809)	(1 586 993)
Proceeds from retirements of investments	12 954	49 180
Stock dividends	-	(10 021)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(3 258 855)</u>	<u>(1 547 834)</u>
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(848 730)	(1 169 030)
Increase in membership fees	31 950	45 600
Increase (decrease) in customer deposits	28 150	19 000
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(788 630)</u>	<u>(1 104 430)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2 336 916)	(422 696)
Cash and cash equivalents, beginning of year	5 061 552	5 484 248
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2 724 636</u>	<u>\$ 5 061 552</u>
Reconciliation of Change in net assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 846 481	\$ 987 013
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization - Debt issue costs	43 556	42 974
Depreciation	1 019 608	967 739
(Gain) loss on disposition of assets	255 133	34 440
(Increase) decrease in accounts receivable and unbilled revenue	(82 448)	44 805
(Increase) decrease in prepaid expenses	(68 646)	(57 883)
(Increase) decrease in inventory	(80 368)	1 171
Increase (decrease) in accounts payable	(254 477)	82 419
Increase (decrease) in accrued liabilities	31 730	126 890
TOTAL ADJUSTMENTS	<u>864 088</u>	<u>1 242 555</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1 710 569</u>	<u>\$ 2 229 568</u>

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

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Lake Livingston Water Supply Corporation (the "Corporation") is a member-owned non-profit corporation incorporated pursuant to the provisions of Texas Water Code Chapter 67, for the purpose of furnishing a potable water. The Corporation provides water to 7,388 members in Polk, Hardin, Liberty, San Jacinto, Trinity, and Walker County areas. The Corporation has 73 water plants serving 113 subdivisions. The Corporation's water quality is regulated by the Texas Commission on Environmental Quality ("TCEQ").

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles, in all material respects.

Cash and Cash Equivalents

Cash and cash equivalents represent all cash on hand and in banks and all short-term, highly liquid investments that are readily convertible to known amounts of cash within three months or less.

Accounts Receivable

Accounts receivable are carried at cost. The Corporation uses the allowance method to account for uncollectible accounts. Receivables from employees and others not incurred while providing water service is reported as other receivables on the balance sheet (none as of December 31, 2024 and 2023). There was approximately \$37,966 of receivables 90 days or more past due at December 31, 2024 and 2023, shown in the allowance account. Accounts deemed uncollectible are offset with the respective customer deposit and any amount remaining is charged off as a bad debt.

Inventory

Inventory is comprised of spare meters and supplies used in maintenance and operations and is carried at cost, which is the lower of cost or net realizable value on a first in first out basis. As inventory is used, it is expensed to operations.

Property and Equipment

Property, plant, and equipment are recorded at cost. Major renewals and betterments including the original cost of construction or installation, the cost of contracted services, direct labor and materials, and appropriate overhead items are charged to the property accounts while replacements, maintenance and repairs which do not extend the life of the respective assets are expensed currently.

Property, plant, and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Construction in progress is accumulated in an asset account, "construction in progress," until such time as the additions to plant and equipment are complete and placed in service. Upon placing the asset in service it is transferred to the appropriate fixed asset account and depreciated. The corporation capitalizes interest amounts incurred due to long-term construction to the assets being constructed. These costs are included in construction in progress until the asset is placed in service.

Depreciation

For financial reporting purposes, provisions for depreciation of utility plant are determined using the straight-line method at rates applied to individual classes of property in accordance with depreciable lives established by the TCEQ. Depreciation of non-utility property and equipment is recorded using various straight-line methods. Depreciation lives are as follows:

Water supply and distribution system	5 - 20 years
Buildings	30 years
Office furniture and equipment	5 - 7 years
Transportation	5 years

Investments

Investment in CoBank is accounted for using the original cost. This method results in carrying amount that approximates the fair value due to the investment in CoBank being a condition of the note payable.

Use of Estimates

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

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code of 1986 and no provision for federal income tax has been made in the accompanying financial statements. Financial Accounting Standards Board Codification Section 740 requires recognition, measurement and disclosure of uncertain tax positions. The Corporation currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has not determined that any tax positions require an accrual based on current standards of accounting. The Corporation is generally no longer subject to Federal tax examination for years before 2020.

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Comprehensive Income

The Corporation has no items of comprehensive income other than income from normal operations; therefore, comprehensive income is equal to net income and no statement of comprehensive income is presented.

Revenue Recognition

The Corporation follows the guidance in ASC 606 revenues from contracts with customers. The Corporation's policies with respect to its various revenue streams are detailed below. In general, the Corporation applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Gross revenues for water sales to retail customers, who are members of the Corporation, are recognized as the Corporation transfers the promised water to the customer. The Corporation's performance obligation with the customer is satisfied over time.

Variable components of transaction price, such as late fees, are not recognized until uncertainty around the Corporations right to charge them are resolved. Because the Corporation bills its customers monthly as water is consumed and because pricing is reflective of market conditions and value delivered to the customer, management has elected to apply the invoicing practical expedient to recognize revenue.

The Corporation accrues for revenues to the extent deliveries have occurred but for which a bill has not been issued. The amount of estimated revenue accrued would represent the revenue associated with the water consumed by the members in the current month, but not billed until the following month.

Accounts receivable represents sales of water and other charges made to members. They are recorded at the amount billed less an allowance for uncollectible accounts. An allowance is provided for accounts which management estimates there is doubt as to their collections (allowance for bad debts). This estimate is based on knowledge of particular customers as well as historical losses on accounts. The Corporation does not assess interest on past due accounts receivable. Approximately \$10,376 and \$42,857 of accounts receivable were past due more than 60 days at December 31, 2024 and 2023, respectively.

NOTE B - LONG-TERM DEBT

At December 31, 2024 and 2023, the Corporation was liable for the following long-term debt:

	2024	2023
Advances on CoBank revolving line of credit	\$ 600 000	\$ 600 000
Single advance term loan of \$1,642,826 from CoBank to refinance the United States Department of Agriculture Rural Utilities Service (USDA) loan for capital improvements, due April 20, 2026; principal and interest payable monthly, variable interest; secured by all real and personal property of the Corporation	203 343	351 985
Multiple advance water system revenue bonds, taxable series 2007, issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2039 with first maturity due in December, 2010; callable at 100 on December 1, 2017; interest at 0%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation; \$17,500,000 total approved issue; \$710,086 available for issue at December 31, 2018	10 525 000	11 080 000
Single advance water system revenue bonds taxable series 2013, \$3,130,000 issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2034 with first maturity due in December 2015; callable at 100 on December 1, 2023; interest at 0.95-4.73%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation	1 990 000	2 145 000
Capital lease Pitney Bowes postage meter issued through and payable to Pitney Bowes; maturing annually through September 6, 2027 with the first maturity due in September 2022; interest at 3.60%	38 109	51 059
Capital Lease Texas Document Solutions copier issued through and payable to Texas Document Solutions, Inc.; maturing annually through March 11, 2029 with the first maturity due in March 2024 ; interest at 4.31%	24 565	1 702
TOTAL NOTES PAYABLE	13 381 017	14 229 746
Less current maturities	(1 779 117)	(1 766 138)
Less debt issue costs	(493 215)	(536 770)
	\$ 11 108 685	\$ 11 926 838

The Corporation has a \$1,000,000 revolving line of credit with CoBank to finance the operating needs of the Corporation. The line of credit is a supplement to the master loan agreement dated April 1, 1997, bears interest at a variable rate and matures March 1, 2023 and was extended for an additional year before the date of the audit report. The Corporation had a balance of \$600,000 drawn on the line as of December 31, 2023.

The CoBank notes contain various covenants including but not limited to the maintenance of certain debt service and operating ratios, future incurrence of debt or long-term leases, the maintenance of a debt cash reserve, and changes in the corporate structure. In the event the Corporation fails to comply with these covenants and other restrictions, it could be in default under the agreements, and substantially all of its debt maturities could be accelerated. In addition, if the Corporation prepays all or any portion of the notes, prepayment penalties will be assessed by CoBank.

The covenant with CoBank relating to the reserve cash account requires the Corporation to establish and maintain a reserve balance of \$150,000. CoBank has a security interest in these accounts and, in the event of default, the right to claim these funds. As of December 31, 2024 the balance in the reserve account was \$175,572 and is included in reserve funds on the accompanying statement of financial position.

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - LONG-TERM DEBT - CONTINUED

The loan agreement with CoBank requires the Corporation to purchase non-voting participation certificates in CoBank. Equity is earned through patronage dividends and can be redeemed by CoBank after the loan is paid in full. These dividends are accrued annually using an estimate provided by CoBank; estimated dividends for 2024 and 2023 were approximately \$2,360 and \$2,792, respectively. The Corporation held \$136,171 and \$157,217 of patronage certificates at December 31, 2024 and 2023, respectively. These are included in investments on the accompanying statements of net position.

The 2007 water system revenue bond order with the Texas Water Development Board requires the maintenance of a reserve fund in an amount at least equal to the average annual debt service requirements of the bonds and any additional bonds issued. The reserve is to be funded over a 60-month period with monthly deposits of \$9,722 beginning October 25, 2007. At December 31, 2024, the Corporation had deposited the required reserve to-date of \$730,487, shown as reserve funds on the accompanying balance sheet. The bond order also requires that all funds and reserve funds established pursuant thereto will be secured by a pledge by a financial institution of general obligations of the United States or obligations unconditionally guaranteed by the United States or be invested as provided in the Public Funds Investment Act Chapter 2256, Texas Government Code (PFIA). As of December 31, 2023, the reserve funds were invested in interest-bearing transaction and certificate of deposit accounts in financial institutions the accounts are 100% insured by the Federal Deposit Insurance Corporation and as such are authorized investments under the PFIA.

Debt issue costs of \$922,263 were incurred in connection with the series 2007 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$1,055,000. They are being amortized to interest expense over a 30-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. During 2024 and 2023, approximately \$31,350 and \$31,350 was amortized to interest expense.

Debt issue costs of \$244,104 were incurred in connection with the series 2013 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$3,130,000. Debt issues costs are being amortized to interest expense over a 21-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. Approximately \$11,624 and \$12,205 was amortized to interest expense during December 31, 2024 and 2023, respectively.

The 2013 water system revenue bond order with the Texas Water Development Board requires the maintenance of escrow accounts regarding the obligations of the 2013 series bonds and loan forgiveness grant. The escrow accounts are to be maintained at a bank on behalf of the Corporation and TWDB and shall not be commingled with any other accounts or with any other proceeds or funds. The escrowed funds are held for the purpose of replacing existing water meters and amounts shall be disbursed in accordance with the bond order and solely upon written authorization from the TWDB. The funds in escrow are to be held in an authorized institution and invested in accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256 and Public Funds Collateral Act, Texas Government Code, Chapter 2257(PFIA). Accordingly, at December 31, 2022, the escrowed funds were invested in short term cash management funds which are invested in U.S. Government obligations, which qualify as permissible investments under the PFIA. The escrowed funds amounted to \$204,373 and \$559,721 at December 31, 2024 and 2023, respectively, and is included in reserve funds on the accompanying statements of net position.

The Corporation has lease agreements for copiers and for postage meters that have monthly payments of \$528 and \$1,215 respectfully. The copier lease began March 2024 and is ongoing for 60 months. The postage meter lease started in September 2022 and is ongoing for 60 months.

Approximate maturities of long-term debt principal at December 31, 2024 for the next five years are as follows:

	NOTES	REVENUE BONDS	LINE OF CREDIT	CAPITAL LEASES	TOTAL
Fiscal Years Ending:					
December 31, 2025	\$ 145 310	\$ 1 015 000	\$ 600 000	\$ 18 807	\$ 1 779 117
December 31, 2026	58 033	1 025 000	-	19 534	1 117 406
December 31, 2027	-	1 030 000	-	16 636	1 046 636
December 31, 2028	-	1 040 000	-	6 124	1 046 124
December 31, 2029	-	1 045 000	-	1 573	1 046 573
Thereafter	-	7 060 000	-	-	7 060 000
TOTALS	\$ 203 343	\$ 12 515 000	\$ 600 000	\$ 62 674	\$ 12 495 856

NOTE C - EMPLOYEE BENEFIT PLANS

During 1998, the Corporation established a 401(k) retirement plan for the benefit of substantially all of its employees. Under the plan and trust document, the employee may elect to reduce their salary by contributions to the plan. In 2007, the plan was amended to require employer matching contributions. Employer contributions are 35% of the first 6% of the respective employees' salary reduction. The Corporation may elect to make a discretionary contribution to the plan. For the years ended December 31, 2024 and 2023, the Corporation contributed \$44,315 and \$46,079 to the plan, respectively.

For the year ended December 31, 2024 and 2023, the Corporation paid approximately \$400,141 and \$384,000, respectively, in health insurance premiums for the employees. This amount is included in insurance expense on the accompanying income statement.

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - CONCENTRATIONS

Substantially all of the Corporation's revenue is derived from water sales to its members in Polk County, Texas and surrounding counties. The economic conditions in these areas have a large effect on the results of operations of the Corporation.

NOTE E - COMMITMENTS AND CONTINGENCIES

Raw Water Supply Contract

In August, 2007, the Corporation entered into a "Raw Water Supply Contract" with the Trinity River Authority of Texas (the Authority). The purpose of the contract is to provide an additional source of water supply for the Corporation. The basic terms of the contract provide the Corporation with the right to purchase raw water from Livingston Reservoir at the Authority's rates in effect over the following periods and in the following amounts:

FISCAL YEARS	AVERAGE DAILY AMOUNTS	TOTAL ANNUAL AMOUNTS IN ACRE-FEET (AF)
2021 - 2025	0.797 MGD	893 AF/Year
2026 - 2030	0.815 MGD	913 AF/Year
2031 - 2035	0.833 MGD	933 AF/Year
2036 - 2040	0.852 MGD	954 AF/Year

The acronym "MGD" means millions of gallons per day and the acronym "AF" means acre-feet.

The Corporation did not purchase any raw water in 2024 or 2023.

The contract also provides for the Corporation to pay annual standby fees to the Authority that are calculated pursuant to formulas based upon the amount of water that the Authority is obligated to sell to the Corporation on each annual basis. Standby fees are assessed whether or not the Corporation purchases any water. For the year ended December 31, 2024 and 2023, the Corporation incurred approximately \$82,000 and \$82,000 in standby fees, respectively.

The contract expires on December 1, 2040.

NOTE F - SUBSEQUENT EVENTS

Subsequent to the year-end the Corporation entered into a new loan agreement with CoBank in the amount of \$1,250,000 to help finance ongoing capital expenditures for the Corporation. This agreement was entered on February 26, 2025, and is to be repaid in monthly installments for 60 months starting March 20, 2025.

Management has evaluated subsequent events through March 20, 2025, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LAKE LIVINGSTON WATER SUPPLY CORPORATION
SCHEDULE OF WATER USAGE DETAILS AND STATISTICS
For the Year Ended December 31, 2024

	<u>2024</u>	<u>2023</u>
Total Gallons of Water Pumped	<u>604 824 000</u>	<u>624 401 000</u>
Total Gallons of Water Sold	<u>241 027 000</u>	<u>273 004 000</u>
Total Gallons of Water Used for Flushing Lines	<u>48 088 966</u>	<u>44 272 376</u>
Total Number of Active Connections	<u>7 593</u>	<u>7 589</u>
Average Consumption per Connection	<u>31 743</u>	<u>35 972</u>
Water Loss Due to Flushing Lines	<u>8.0%</u>	<u>7.1%</u>
Total Water Loss Percentage	<u>60.1%</u>	<u>56.3%</u>

See independent auditor's report.