

MT. HERMON WATER DISTRICT
COMPILED FINANCIAL STATEMENTS
DECEMBER 31, 2021
**(with 2020 summarized
comparative information)**

MT. HERMON WATER DISTRICT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Board of Commissioners
Mount Hermon Water District
of the Parish of Washington, Louisiana
Mount Hermon, Louisiana

I have reviewed the accompanying financial statements of the business-type activities of Mount Hermon Water District (a component unit of the Washington Parish Council), as of and for the years ended December 31, 2021, and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my (our) conclusion.

I am required to be independent of Mount Hermon Water District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements of my review.

Accountant's Conclusion

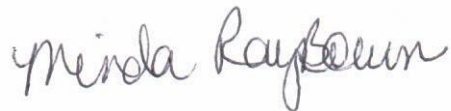
Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Revenues, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. I have not audited, reviewed, or compiled the required supplementary information and I do not express an opinion, a conclusion, nor provide any assurance on it.

Other Information

The supplementary information included in schedules of compensation paid to board members and compensation, benefits, and other payments to the agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the information and, accordingly, do not express an opinion on such information.

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, LA 70438
May 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

MT. HERMON WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

Introduction

The Mt Hermon Water District (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. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards as more fully described in the financial statement notes as Note 1 – *Summary of Significant Accounting Policies*.

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, 2021, total assets were \$1,618,514, and exceeded liabilities in the amount of \$828,180 (i.e., net position). Of the total net position, \$140,174 was unrestricted and available to support short-term operations.
- The District's operating income decreased by \$11,782 due to a 1% decrease in operating revenue and a 6% increase in operating expenses.
- The District's operating expenses, other than depreciation expense, increased by \$8,711 to \$108,839 as compared to \$100,128 for the prior fiscal year. The increase is due primarily to an increase of \$7,799 in contract operations and maintenance.
- Total long-term debt decreased by \$43,035 in principal payments; there was no new issuance of bond debt. Total long term bonded debt was \$749,602 at December 31, 2021 as compared to \$792,637 at December 31, 2020.

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 District's basic financial statements include the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector.

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 a full understanding of the data provided in the District's basic 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 Mt Hermon Water District 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 liabilities, 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 Statements of Net Position
2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 340,598	\$ 313,876	\$ 26,722	8.51%
Capital Assets	<u>1,277,916</u>	<u>1,345,771</u>	<u>(67,855)</u>	-5.04%
Total Assets	<u>1,618,514</u>	<u>1,659,647</u>	<u>(41,133)</u>	-2.48%
Liabilities:				
Long-Term Debt Outstanding	749,602	792,637	(43,035)	-5.43%
Other Liabilities	<u>40,732</u>	<u>42,809</u>	<u>(2,077)</u>	-4.85%
Total Liabilities	<u>790,334</u>	<u>835,446</u>	<u>(45,112)</u>	-5.40%
Net Position:				
Net Investment in Capital Assets	528,314	553,134	(24,820)	-4.49%
Restricted for Capital Activity and Debt Service	159,692	156,191	3,501	2.24%
Unrestricted	<u>140,174</u>	<u>114,876</u>	<u>25,298</u>	22.02%
Total Net Position	<u>\$ 828,180</u>	<u>\$ 824,201</u>	<u>\$ 3,979</u>	0.48%

“Current and Other Assets’ increased by \$26,722 primarily related to an overall increase in cash and cash equivalents of \$28,868, partially offset by smaller decreases. Capital Assets decreased due to depreciation expense of \$68,987. The District’s Long-Term Debt Outstanding decreased by the principal payments of \$43,035. The total increase in net position for the year was \$3,979.

Approximately 64% of the District’s net position reflects its investment in capital assets, net of any outstanding related debt used to acquire those capital assets. Approximately 19% of the District’s net position represents resources that are subject to external restriction on how they may be used. The District’s restricted net position consists of cash reserves required by revenue bond agreements as well as customer contracts for meter deposits. Approximately 17% of the District’s net position is unrestricted and may be used to meet its ongoing obligations and support short-term operations.

**Condensed Statements of Revenues, Expenses and Changes in Net Position
2021 and 2020**

	2021	2020	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 214,955	\$ 217,454	\$ (2,499)	-1.15%
Nonoperating Revenues	93	1,273	(1,180)	-92.69%
Total Revenues	<u>215,048</u>	<u>218,727</u>	<u>(3,679)</u>	-1.68%
Expenses:				
Depreciation Expense	68,987	68,415	572	0.84%
Other Operating Expense	108,839	100,128	8,711	8.70%
Nonoperating Expense	33,243	35,077	(1,834)	-5.23%
Total Expenses	<u>211,069</u>	<u>203,620</u>	<u>7,449</u>	3.66%
Change in Net Position	3,979	15,107	(11,128)	-73.66%
Beginning Net Position	824,201	809,094	15,107	1.87%
Ending Net Position	<u>\$ 828,180</u>	<u>\$ 824,201</u>	<u>\$ 3,979</u>	0.48%

While the Statement of Net Position shows the change in financial position of 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 Mt Hermon Water District is being conservatively managed.

The District's net position increased by \$3,979 in the current year, a \$11,128 decrease as compared to the prior fiscal year. The change in net position decreased as compared to the prior year related to a decrease in revenue and an increase in expenses.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) decreased approximately 1%. Water sales increased \$1,880 while installation fees, penalties, and other revenue decreased. Water rates for the year ended December 31, 2021 increased \$1 to the base rates for both residential and commercial customers, effective November 5, 2021.

Total "Nonoperating Revenues" decreased by \$1,180 primarily due to decreases in interest income.

The District's operating expenses, other than depreciation expense, increased by \$8,711 to \$108,839 as compared to \$100,128 for the prior fiscal year. The increase is due primarily to an increase of \$7,799 in contract operations and maintenance.

Nonoperating expenses decreased due to interest expense decrease of \$1,834.

Budgetary Highlights

Mt Hermon Water District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. 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 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 – Schedule of Revenues, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual”, as supplementary information, following the Notes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2021

	<u>Budget 2021</u>	<u>Actual 2021</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Operating Revenues	\$ 213,400	\$ 214,955	\$ 1,555
Nonoperating Revenues	4,500	93	(4,407)
Total Revenues	<u>217,900</u>	<u>215,048</u>	<u>(2,852)</u>
Expenses:			
Depreciation Expense	72,000	68,987	3,013
Other Operating Expense	111,951	108,839	3,112
Nonoperating Expense	34,035	33,243	792
Total Expenses	<u>217,986</u>	<u>211,069</u>	<u>6,917</u>
Change in Net Position	<u>\$ (86)</u>	<u>\$ 3,979</u>	<u>\$ 4,065</u>

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

Customer Count

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Customers			
Residential	373	369	4
Commercial	25	24	1
Total Customers	<u>398</u>	<u>393</u>	<u>5</u>

Revenue and Expense Data Per Customer per Month

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Water Sales	\$ 42.75	\$ 42.90	\$ (0.15)
Operating Revenues	45.01	46.11	(1.10)
Total Revenues	45.03	46.38	(1.35)
Operating Expenses	37.23	35.74	1.49
Total Expenses	44.19	43.18	1.01

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 ending December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 12,606	\$ 14,519	\$ (1,913)
31-60 Days Past Due	2,633	2,729	(96)
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>15,239</u>	<u>17,248</u>	<u>(2,009)</u>
Allowance for Uncollectible Accounts	<u>(825)</u>	<u>(825)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 14,414</u>	<u>\$ 16,423</u>	<u>\$ (2,009)</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2021, Mt Hermon Water District had \$1,277,916 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment for storage for water system equipment and supplies, and land owned by the District. The changes in capital assets are presented in the table below.

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 3,890	\$ 3,890	\$ -	0.00%
Utility System	<u>2,476,050</u>	<u>2,474,918</u>	<u>1,132</u>	<u>0.05%</u>
Subtotal	<u>2,479,940</u>	<u>2,478,808</u>	<u>1,132</u>	<u>0.05%</u>
Less: Accumulated Depreciation	<u>(1,202,024)</u>	<u>(1,133,037)</u>	<u>(68,987)</u>	<u>-6.09%</u>
Net Capital Assets	<u>\$ 1,277,916</u>	<u>\$ 1,345,771</u>	<u>\$ (67,855)</u>	<u>-5.04%</u>

Long-Term Obligations

The sources of long-term financing for Mt Hermon Water District water system improvements are a revenue bond financed by the United States Department of Agriculture, Rural Utilities Service (RUS), and bond financing through the Department of Health of Human Resources (DHH) currently providing financing for a new water well. The reader should refer to Note 7 – Long-Term Obligations for a listing of current debt balance.

Bonds financed for Mt Hermon Water District require that the District set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Position ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. As indicated, the ratio is only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2021	December 31, 2020
Total Long-Term Debt	\$ 749,602	\$ 792,637
Total Net Position	828,180	824,201
Total Long-Term Debt to Net Assets Ratio	0.91	0.96

Further, Bonds financed for Mt Hermon Water District require a specific debt to net income ratio. Specifically, bond covenants require:

The issuer, Mount Hermon Water District, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120 percent of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

New bond requirements became effective March, 2015 for the 2013 series. For the fiscal year ending December 31, 2021, the bond debt coverage factor was 134 percent, which is above the percentage required by the bond covenant of 120 percent. See further within Note 8 - *Flow of Funds, Restrictions on Use*.

Future Economic Plans

The Mt Hermon Water District's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. The board's emphasis is on managing operating expenses. These plans are anticipated to result in lower utility bills for customers and to only approve rate increases when necessary, to pay operating expenses and fund water revenue bond requirements.

BASIC FINANCIAL STATEMENTS

MT. HERMON WATER DISTRICT

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2021

(With Comparative Totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 122,213	\$ 97,746
Receivables, Net :		
Accounts	14,414	16,423
Unbilled	9,781	9,643
Due From Other Governments	-	28
Prepaid Expenses	1,785	2,032
Total Current Assets	<u>148,193</u>	<u>125,872</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents:		
Customer Deposits	27,335	26,023
Bond Reserve Accounts	67,508	67,477
Bond Contingency Account - RUS	72,971	70,645
Bond Sinking Account	24,371	23,639
Total Restricted Assets	<u>192,185</u>	<u>187,784</u>
Property, Plant, and Equipment		
Land	3,890	3,890
Property, Plant and Equipment, Net	1,274,026	1,341,881
Total Property, Plant, and Equipment	<u>1,277,916</u>	<u>1,345,771</u>
Other Noncurrent Assets		
Utility Deposits	220	220
Total Other Assets	<u>220</u>	<u>220</u>
Total Assets	<u>1,618,514</u>	<u>1,659,647</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	7,065	10,044
Other Accrued Payables	1,174	1,172
Total Current Liabilities (Payable From Current Assets)	<u>8,239</u>	<u>11,216</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	27,335	26,023
Current Revenue Bonds Payable	45,255	43,147
Accrued Interest on Revenue Bonds	5,158	5,570
Total Current Liabilities (Payable From Restricted Assets)	<u>77,748</u>	<u>74,740</u>
Long Term Liabilities:		
Bonds Payable	704,347	749,490
Total Long Term Liabilities	<u>704,347</u>	<u>749,490</u>
Total Liabilities	<u>790,334</u>	<u>835,446</u>
Net Position		
Net Investment in Capital Assets	528,314	553,134
Restricted for:		
Capital Projects and Debt Service	159,692	156,191
Unrestricted	140,174	114,876
Total Net Position	<u>\$ 828,180</u>	<u>\$ 824,201</u>

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITIONFOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water Sales	\$ 204,183	\$ 202,303
Installation Fees	4,990	5,640
Penalties	5,118	5,450
Other	664	4,061
Total Operating Revenues	<u>214,955</u>	<u>217,454</u>
Operating Expenses		
Bad Debts	296	817
Operations and Maintenance - Contract	66,231	58,432
Depreciation	68,987	68,415
Insurance	8,109	7,679
Mileage	6,000	6,000
Other	661	304
Professional Fees	8,550	9,375
Repairs and Maintenance	2,080	3,526
Supplies	2,664	-
SCADA Expense	857	1,318
Utilities	13,391	12,677
Total Operating Expenses	<u>177,826</u>	<u>168,543</u>
Operating Income (Loss)	<u>37,129</u>	<u>48,911</u>
Nonoperating Revenues (Expenses)		
Interest Income	93	1,273
Interest Expense	(33,243)	(35,077)
Total Nonoperating Revenues (Expenses)	<u>(33,150)</u>	<u>(33,804)</u>
Change in Net Position	3,979	15,107
Total Net Position, Beginning	824,201	809,094
Total Net Position, Ending	<u>\$ 828,180</u>	<u>\$ 824,201</u>

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 206,054	\$ 200,028
Received for Meter Deposit Fees	1,312	1,964
Other Receipts	10,772	15,151
Payments for Operations	<u>(111,541)</u>	<u>(97,387)</u>
Net Cash Provided by Operating Activities	<u>106,597</u>	<u>119,756</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Capital Acquisitions	(1,132)	(56,999)
Principal Proceeds from (Repayments for) Long Term Debt	(43,035)	(41,152)
Interest Payments for Long Term Debt	<u>(33,655)</u>	<u>(35,246)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(77,822)</u>	<u>(133,397)</u>
Cash Flows From Investing Activities		
Receipt of Interest	<u>93</u>	<u>1,273</u>
Net Cash Provided by Investing Activities	<u>93</u>	<u>1,273</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	28,868	(12,368)
Cash and Cash Equivalents, Beginning of Year	<u>285,530</u>	<u>297,898</u>
Cash and Cash Equivalents, End of Year	<u>\$ 314,398</u>	<u>\$ 285,530</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 122,213	\$ 97,746
Cash and Cash Equivalents, Restricted	<u>192,185</u>	<u>187,784</u>
Total Cash and Cash Equivalents	<u>\$ 314,398</u>	<u>\$ 285,530</u>

(Continued)

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 37,129	\$ 48,911
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	68,987	68,415
(Increase) decrease in Accounts Receivable	1,899	(2,303)
(Increase) decrease in Prepaid Insurance	247	7
Increase (decrease) in Accounts Payable	(2,979)	2,751
Increase (decrease) in Accrued Expenses	2	11
Increase (decrease) in Customer Deposits	1,312	1,964
Net Cash Provided (Used) by Operating Activities	<u>\$ 106,597</u>	<u>\$ 119,756</u>

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Introduction

Mt Hermon Water District of the Parish of Washington, State of Louisiana was established July 23, 1986, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950, and other constitutional and statutory authority supplemented thereto, describes and defines the boundaries of the water district, and provides for a five member governing board of commissioners appointed by the Washington Parish Council.

Mount Hermon Water District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Construction of the water system plant and equipment for the water system was financed under a loan/grant program from the United States Rural Utilities Service (RUS) office, with construction completed in March, 1997. Mount Hermon Water District, as of December 31, 2021, serves 398 water customers. The District contracts the operation and maintenance of the water system, including billings of water customers, to an outside agent.

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Mt Hermon Water District is considered a component unit of the Washington Parish Council. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within those financial statements, or separately reported as a discrete component unit. Under these provisions, there are no component units of the District.

1. Summary of Significant Accounting Policies

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

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. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in Note 1J – *Net Position*. As required by the Governmental Accounting Standards Board (GASB), the District previously implemented GASB Statement No. 63.

The District has also previously adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings is more fully described in Note 1I – *Long-Term Obligations*.

The District did not have any deferred outflows or deferred inflows of resources at December 31, 2021.

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.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

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 statement of net position. The statement of revenues, expenses, and changes in net position includes all costs of providing goods and services during the period.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

Proprietary funds distinguish operating revenues and expenses from non-operating 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 and internal service 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 non-operating 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.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, the Louisiana Asset Management Pool (LAMP) and those investments with original maturities of three months or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

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 of the District are reported at fair value, except nonparticipating investment contracts which are reported at cost, if any.

D. Inventories

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

E. 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 primarily consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customers' meter deposits are also classified as restricted assets.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

G. 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. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Utility System	10 to 40 Years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The District currently does not capitalize interest during the construction in accordance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

H. Compensated Absences

At December 31, 2021, the District did not have employees that accumulate or vest benefits.

I. Long-Term Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65.

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65. The District did not have any bond related costs in the year ending December 31, 2021.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued (“old”) debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The District did not have any debt refundings in the year December 31, 2021.

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are 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 or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

assets. Generally, a liability relates to 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 placed 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 Component of Net Position** - The *unrestricted* 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.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail 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, 2020, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. Any prior period adjustments, if any, recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from those estimates.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

2. Cash and Cash Equivalents

At December 31, 2021, the District has cash and cash equivalents (book balances) as follows:

Demand Deposits	\$	112,667
Louisiana Asset Management Pool (LAMP)		<u>201,731</u>
	\$	<u><u>314,398</u></u>

These deposits are stated at cost, which approximates market. The deposit in LAMP is stated at fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned 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. 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 upon demand.

Custodial Credit Risk: Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a formal policy for custodial risk.

At December 31, 2021, the District has \$111,562 in deposits (collected bank balances other than LAMP), all consisting of demand deposits in one bank. These deposits are fully secured from risk by federal deposit insurance.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

Investments of the District are reported at fair value, except nonparticipating investment contracts which are reported at cost, if any.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

The District did not hold any investments at December 31, 2021 other than its deposits in LAMP carried as cash and cash equivalents.

LAMP is administered by LAMP, Inc., a non-profit organized under the laws of the State of Louisiana. Only local government entities 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 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 consistence with GASB Statement No. 79. The following facts are relevant for investment pools:

1. Credit risk: LAMP is rated AAAM by Standards and Poor's.
2. Custodial credit risk: 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.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balance. 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/variance rate investments. The WAM for LAMP's total investments is 45 days (from LAMP's monthly Portfolio Holding) as of December 31, 2021.
5. Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. If you have any questions, please feel free to contact LAMP administrative offices at 800-249-5267.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

4. Receivables

The following is a summary of accounts receivables at December 31, 2021:

	<u>2021</u>
Accounts Receivable	
Current	\$ 12,606
31-60 Days Past Due	2,633
61-90 Days Past Due	-
Over 90 Days Past Due	-
Subtotal	<u>15,239</u>
Allowance for Uncollectible Accounts	<u>(825)</u>
Net Accounts Receivable	<u>\$ 14,414</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 doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

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 fiscal year. At December 31, 2021, accrued billings amounts were \$9,781.

5. Restricted Assets

Restricted assets consisted of restricted cash and were applicable to the following at December 31, 2021:

Customer Deposits	\$ 27,335
Bond Reserve	48,769
Bond Reserve	18,739
Bond Depreciation & Contingency	72,971
Bond Sinking	<u>24,371</u>
	<u>\$ 192,185</u>

See Note 8 sections b, c, and d for descriptions of the Bond Reserve, Bond Contingency, and Bond Sinking accounts.

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2021 is as follows:

	Beginning Balance <u>12/31/20</u>	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance <u>12/31/21</u>
Capital Assets				
Land	\$ 3,890	\$ -	\$ -	\$ 3,890
Utility System	<u>2,474,918</u>	<u>1,132</u>	<u>-</u>	<u>2,476,050</u>
Total Capital Assets	2,478,808	1,132	-	2,479,940
Less Accumulated Depreciation	<u>(1,133,037)</u>	<u>(68,987)</u>	<u>-</u>	<u>(1,202,024)</u>
Total Capital Assets, Net	\$ <u><u>1,345,771</u></u>	\$ <u><u>(67,855)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,277,916</u></u>

At December 31, 2021, The District expended \$1,132 for new service pumps and related installation. The District did not have any asset disposals.

Depreciation expense for the fiscal year ending December 31, 2021, totaled \$68,987.

7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2021:

<u>Description</u>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
1996 Water Revenue Bond	\$ 455,637	\$ -	\$ (22,035)	\$ 433,602	\$ 23,255
Series 2013 Water Revenue Bond	<u>337,000</u>	<u>-</u>	<u>(21,000)</u>	<u>316,000</u>	<u>22,000</u>
Total Long-Term Debt	\$ <u><u>792,637</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(43,035)</u></u>	\$ <u><u>749,602</u></u>	\$ <u><u>45,255</u></u>

Bonds Payable as of December 31, 2021 are as follows:

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

		<u>Bonds Payable</u>	<u>Due Within One</u>
		<u>End of Year</u>	<u>Year</u>
Revenue Bond	\$ 754,000	1996 Water Revenue Utility Bonds	
Dated	2/8/1996	due in monthly installments of principal and interest of	
\$	3,702	through 2/6/2036 interest at 5.0%	
		\$ 433,602	\$ 23,255
Revenue Bond	\$ 700,000	Series 2013 Water Revenue Bonds	
Dated	3/8/2013	due in semi-annual installments of principal and interest of	
\$17,000 to \$34,000		through 3/1/2033 interest at 2.95%	
		316,000	22,000
		<u>\$ 749,602</u>	<u>\$ 45,255</u>

The first revenue bond above was issued through the United States Department of Agriculture, Rural Utility Service (RUS) at a total bond amount of \$754,000 on February 8, 1996, at an annual interest rate of 5.0%. The second, Series 2013 Water Revenue Bonds, is dated 3/8/13 and is issued through the Department of Health and Hospitals (DHH), State of Louisiana at an annual interest rate of 2.95% and an annual administrative fee of .5%. Under the terms of the DHH Series 2013 bond issue, the bonds are issued at a “Principal Amount Before Forgiveness” of \$700,000, and a “Principal Amount Net of Forgiveness” of \$490,000. The gross amount of \$700,000 represents the total amount available for project construction; whereas the net amount of \$490,000 represents the amount that the District will incur as indebtedness for project construction. The difference between the gross amount of \$700,000 and the net amount of \$490,000 was recognized on the financial statements of the District as State Grant Income in prior years. Construction for the new water well was completed in 2014.

The annual requirements to amortize all debt outstanding as of December 31, 2021, including interest payments of \$233,113 are as follows:

<u>Year Ending</u>	<u>1996 RUS Water Revenue Bonds</u>			<u>Series 2013, Water Revenue Bonds</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
<u>12/31/21</u>							
2022	\$ 23,255	\$ 21,170	\$ 44,425	\$ 22,000	\$ 10,523	\$ 32,523	\$ 76,948
2023	24,445	19,980	44,425	22,000	9,764	31,764	76,189
2024	25,696	18,730	44,426	23,000	8,987	31,987	76,413
2025	27,011	17,415	44,426	24,000	8,177	32,177	76,603
2026	28,392	16,033	44,425	25,000	7,331	32,331	76,756
2027 to 2031	165,296	56,832	222,128	138,000	22,908	160,908	383,036
2032 to 2036	139,507	13,089	152,596	62,000	2,174	64,174	216,770
	<u>\$ 433,602</u>	<u>\$ 163,249</u>	<u>\$ 596,851</u>	<u>\$ 316,000</u>	<u>\$ 69,864</u>	<u>\$ 385,864</u>	<u>\$ 982,715</u>

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

8. Flow of Funds, Restrictions on Use

As of December 31, 2021, Mt Hermon Water District had two Revenue Bonds. The first bond with the Rural Utilities Service (RUS) was issued at \$754,000 on February 8, 1996, at an interest rate of 5.0 percent. The second bond, Series 2013 Water Revenue Bonds, is dated 3/8/13 and was issued through the Department of Health and Hospitals (DHH) at an annual interest rate of 2.95% and an annual administrative fee of .5%, at a maximum principal amount, net of forgiveness, of \$490,000. Total interest expense from all water revenue bonds equaled \$33,243 for the year ended December 31, 2021. The gross revenue recognized during the current period was \$215,048.

Bond covenants specify that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions applying to the two bond issues are summarized below:

- a) The issuer, Mount Hermon Water District, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120 percent of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

New bond requirements became effective March, 2015 for the 2013 series. For the fiscal year ending December 31, 2021, the bond debt coverage factor was 134 percent, which is above the percentage required by the bond covenant of 120 percent.

- b) The establishment and maintenance of a “Water Bond and Interest Sinking Fund” (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The actual creation of a sinking fund was not required for the 1996 Rural Utilities Service (RUS) bonds since the District pays required bond installments directly to Rural Utilities Service, on a monthly basis. At December 31, 2021, Mount Hermon Water District had made the required monthly installments. For the Series 2013 Water Revenue Bonds, bond covenants require the creation of a Water Revenue Bond and Interest Sinking Fund to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds by transferring from the Revenue Fund to the regularly designated fiscal agent bank of the District, monthly in advance on or before the 20th day each month of each year a sum equal to the debt service requirement schedule provided by DHH. Total sinking fund requirement at December 31, 2021 was \$21,592; therefore, the Sinking Fund was fully-funded at December 31, 2021, at \$24,371.

- c) Bond covenants of the Series 2013 Water Revenues require the establishment of the “Water Revenue Debt Reserve Fund” (the Reserve Fund) containing separate accounts designated

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

for the 1996 Rural Utilities Service (RUS) Water Revenue Bonds and the Series 2013 Water Revenue Bonds, as follows:

- 1) "Series 1996 Account", containing approximately \$44,424 of revenues, heretofore deposited with respect to the outstanding parity bonds and which may be used solely to secure and make payments on the outstanding parity bonds to which there would otherwise be default. This account was fully funded at December 31, 2021, with a balance accumulated of \$48,769.
 - 2) "Series 2013 Account" which shall secure the Bonds, and shall be funded in advance on or before the 20th day of each month of each year, commencing with the month following the delivery of the Bonds, with a sum at least equal to at least fifty percent (50%) of the amount to be paid into the Sinking Fund with respect to the Bonds, the payments in the Series 2013 Account to continue until there has been accumulated a sum equal to the Reserve Fund Requirement, if any, designated and established for such series of Additional Parity Bonds. The Reserve Fund Requirement is one-half of the maximum annual principal and interest requirements of the Bonds for any succeeding Bond Year. The requirement for the Reserve Fund for Series 2013 Water Revenue Bonds at December 31, 2021 was \$16,585. The Reserve Fund for Series 2013 was fully funded at December 31, 2021 at \$18,739.
- d) The 1996 Rural Utilities Service (RUS) bonds require the transfer from the Water Revenue Fund, the operating account of the District, monthly in advance on or before the 20th of each month the sum of \$191 per month. Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund. The District made all of the required deposits to the Depreciation and Contingency Fund for the 1996 Rural Utilities Service (RUS) bonds, maintaining a balance of \$72,971, at December 31, 2021.

The Series 2013 Water Revenue Bonds does not require the transfer of any funds to a Depreciation and Contingency Fund.

- e) The District, in the original bond resolution also obligated itself to abide by the following covenants:
- 1) The District will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within fifteen days from the date on which such charges became delinquent.
 - 2) A ten percent penalty will be charged on all delinquent accounts, and interest at a reasonable rate as established by the District, as well as payment of a reasonable reconnect charge for the resumption of services.
 - 3) The District agrees to maintain the System in first class repair and working order and condition.
 - 4) The District will carry full insurance coverage on the System in the manner

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

required by the Government, with a company licensed to do business under the laws of Louisiana.

- 5) The District will maintain separate and correct records and accounts, and will have the books audited no later than three months after the end of the fiscal year.
- 6) The District will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the District may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.
- 7) The District will not, except as provided by this bond resolution, voluntarily create or cause to be created any debt, lien pledge, mortgage, assignment, or any other charges having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security therefore.
- 8) That, to the extent permitted by law, the District will not grant a franchise to any utility for operation within the boundaries of the District.
- 9) In operation of the System, the District will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.

9. Restricted Net Position

At December 31, 2021, Mt Hermon Water District recorded \$159,692 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants and contracts with customers for meter deposits. Restricted Net Position is recorded net of any liability relating to those assets. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Water System Management

The water district is operated under a contract with an outside party. The contract management provides services for operation and maintenance of the system, including billing services for the water district.

11. Litigation and Claims

There is no outstanding litigation at December 31, 2021.

12. COVID-19 Pandemic

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic and this pandemic has resulted in federal, state, and local governments and private entities mandating various restrictions, including travel restrictions,

MT. HERMON WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

restrictions on public gatherings, stay at home orders, and quarantining of people that may have been exposed to the virus.

COVID-19 and actions taken to mitigate it have had and are expected to continue to have adverse effects on the economy. As the COVID-19 pandemic is complex and rapidly evolving, we cannot reasonably estimate the duration or severity of this pandemic nor its full impact on the entity, its financial position, change in financial position, or cash flows.

13. Subsequent Events

Subsequent events have been evaluated by management through May 31, 2023, the date the financial statements were available for issuance. No events were noted that require recording or disclosure in the financial statements for the year ending December 31, 2021.

OTHER SUPPLEMENTARY INFORMATION

MT. HERMON WATER DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2021

(With Comparative Amounts for the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
Operating Revenues				
Water Sales	\$ 200,000	\$ 204,183	\$ 4,183	\$ 202,303
Installation Fees	6,000	4,990	(1,010)	5,640
Penalties	6,000	5,118	(882)	5,450
Other	1,400	664	(736)	4,061
Total Operating Revenues	<u>213,400</u>	<u>214,955</u>	<u>1,555</u>	<u>217,454</u>
Operating Expenses				
Bad Debts	1,200	296	904	817
Operations and Maintenance - Contract	62,000	66,231	(4,231)	58,432
Depreciation	72,000	68,987	3,013	68,415
Insurance	10,000	8,109	1,891	7,679
Mileage	6,000	6,000	-	6,000
Other	1,251	661	590	304
Professional Fees	10,000	8,550	1,450	9,375
Repairs and Maintenance	1,800	2,080	(280)	3,526
SCADA Expense	1,400	857	543	1,318
Supplies	300	2,664	(2,364)	-
Utilities	18,000	13,391	4,609	12,677
Total Operating Expenses	<u>183,951</u>	<u>177,826</u>	<u>6,125</u>	<u>168,543</u>
Operating Income (Loss)	<u>29,449</u>	<u>37,129</u>	<u>7,680</u>	<u>48,911</u>
Nonoperating Revenues (Expenses)				
Interest Income	4,500	93	(4,407)	1,273
Interest Expense	(34,035)	(33,243)	792	(35,077)
Total Nonoperating Revenues (Expenses)	<u>(29,535)</u>	<u>(33,150)</u>	<u>(3,615)</u>	<u>(33,804)</u>
Change in Net Position	(86)	3,979	4,065	15,107
Total Net Position, Beginning	824,201	824,201	-	809,094
Total Net Position, Ending	<u>\$ 824,115</u>	<u>\$ 828,180</u>	<u>\$ 4,065</u>	<u>\$ 824,201</u>

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT

SCHEDULE OF INSURANCE

FOR THE YEAR ENDED DECEMBER 31, 2021

Insurance Company / Policy Number	Coverage	Amount	Period
Ohio Casualty Insurance Policy # BKO57636803	General Aggregate Limit (other than Products / Completed Operations)	\$ 2,000,000	2/1/2021 to 2/1/2022
	Products / Completed Operations Aggregate Limit	2,000,000	
	Personal and Advertising Injury	1,000,000	
	Each Occurrence Limit	1,000,000	
	Damage to Rented Premises	100,000	
	Medical Expenses	5,000	
	Building Personal Property	14,062 1,365	2/1/2021 to 2/1/2022
Western Surety Company Policy # 68463190	Public Official Position Schedule Bond:		2/1/2021 to 2/1/2022
	President	50,000	
	Secretary-Treasurer	50,000	
Liberty Mutual Insurance Policy # BMW57901091	Equipment Floater for Water Pump and Generator - as Scheduled	110,000	7/19/2021 to 7/19/2022
Travelers Casualty & Surety Co of America Policy # BKO57636803	Director & Officers Liability	1,000,000	2/1/2021 to 2/1/2022

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICTSCHEDULE OF COMPENSATION PAID TO
BOARD OF COMMISSIONERS

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Avant Vernon, President (985) 877-5824	27285 Mt. Pisgah Road Mount Hermon, LA 70450	-	12/31/23
Rochelle Brumfield, Vice President (985) 839-6144	37770 Thomas Cryer Road Mount Hermon, LA 70450	-	12/31/23
Jim Miller, Secretary (985) 335-7030	27159 Pleasant Hill Rd. Mount Hermon, LA 70450	-	12/31/23
David Brooks, Board Member (985) 515-2664	36047 Hwy 38 Mount Hermon, LA 70450	-	12/31/23
Kenneth Gill, Board Member (985) 229-2632	33425 Hwy 1056 Kentwood, LA 70444	-	12/31/24

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT

SCHEDULE OF COMPENSATION, BENEFITS,
REIMBURSEMENTS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2021

Agency Head Name: Avant Vernon, President

<u>Purpose</u>	<u>Compensation Received</u>
Travel Allowance	\$ <u>1,200</u>
Total	\$ <u><u>1,200</u></u>

See accompanying notes and independent accountant's review report.

MT. HERMON WATER DISTRICT**SCHEDULE OF WATER RATES**

FOR THE YEAR ENDED DECEMBER 31, 2021

Water	
Residential Rates	Commercial Rates
\$ 26.00 - First 2,000 Gallons	\$ 38.00 - First 5,000 Gallons
4.50 - Per 1,000 Gallons of Water over 2,000 Gallons	4.50 - Per 1,000 Gallons of Water over 5,000 Gallons

MT. HERMON WATER DISTRICT**SCHEDULE OF WATER CUSTOMERS**

FOR THE YEARS ENDED DECEMBER 31, 2021

	2021	2020	Increase (Decrease)
Customers			
Residential	373	369	4
Commercial	25	24	1
Total Customers	<u>398</u>	<u>393</u>	<u>5</u>

See accompanying notes and independent accountant's review report.

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@huntbrothers.com

Member
AICPA

Member
LCPA

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
Mount Hermon Water District of the
Parish of Washington, LA
and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Mount Hermon Water District and the Louisiana Legislative Auditor (the specified parties), on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2021, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The District's management is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Public Bid Law

1. Obtain documentation for all expenditures made during the year for materials and supplies exceeding \$30,000, and public works exceeding \$250,000. Compare the documentation for these expenditures to Louisiana Revised Statute (R.S.) 39:1551-39:1755 (the state procurement code) or R.S. 38:2211-2296 (the public bid law), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

The District had no expenditures that were subject to the public bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the ethics law).

Management provided me with the requested information.

3. Obtain a list of all employees paid during the fiscal year.

The District has no employees.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

The District has no employees. None of the immediate family members appeared on the District's vendor payment listing for December 31, 2021.

5. Obtain a list of all disbursements made during the year; and a list of outside business interests of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

Management provided the requested information. None of the businesses of board members, employees, and board members' and employees' immediate families appeared as vendors on the list of disbursements for year ended December 31, 2021.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original budget for 2021 and 2022. The budget for 2021 was amended.

7. Trace documentation for the adoption of the budget and approval of any amendments to the minute book, and report whether there are any exceptions.

The original budget for 2021 was approved at the October 27, 2020 meeting. The amended budget for 2021 and budget for 2022 was approved at the October 26, 2021 meeting.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures. Report whether actual revenues failed to meet budgeted revenues by 5% or more, and whether actual expenditures exceeded budgeted amounts by 5% or more. (For agencies that must comply with the Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures, and report whether actual expenditures exceeded budgeted amounts by 10% or more per category or 5% or more in total).

The District's operations are accounted for in a proprietary fund and are not subject to the 5% threshold.

Accounting and Reporting

9. Obtain the list of all disbursements made during the fiscal year December 31, 2019, and December 31, 2018. Randomly select six disbursements, and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation, and:

Six disbursements were randomly selected for the fiscal year December 31, 2021.

(a) Report whether the six disbursements agree to the amount and the payee in the supporting documentation.

Each of the selected disbursements agreed with the amount and payee in the supporting documentation.

(b) Report whether the six disbursements were coded to the correct fund and general ledger account.

All of the disbursements were properly coded to the correct fund and general ledger account.

(c) Report whether the six disbursements were approved in accordance with management's policies and procedures.

The District has a contract for operations and maintenance with French Settlement Water company, Inc. (FSWC). Per the contract with FSWC, FSWC will perform all accounts payable and maintain an appropriate check register. The staff of FSWC will prepare the check and submit to the Chairman of FSWC for approval and signature. At each quarterly meeting, FSWC will present an accounts payable listing to the District for the board's approval. Review of the minutes for 2021 for the selected disbursements reflected the board's approval.

Meetings

10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law); and report whether there are any exceptions.

Management represented that the District is only required to post a notice of each meeting and the accompanying agenda on the door of the local fire station building where the District's quarterly meetings are held.

Debt

11. Obtain bank deposit slips for the fiscal year, and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.

I scanned copies of all bank deposit slips for the fiscal year, and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

12. Obtain the list of payroll disbursements and meeting minutes of the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advances, or gifts.

The District has no payroll disbursements. I read the meeting minutes of the District's board of commissioners for the fiscal year. I found no payments or approval for payments to employees that would constitute bonuses, advances, or gifts.

State Audit Law

13. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

The District's December 31, 2020 report was due on June 30, 2021, and was submitted timely.

14. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

The District did not enter into any contracts that utilized state funds for the year ended December 31, 2021. Further, the District received no state funds for the year ended December 31, 2021.

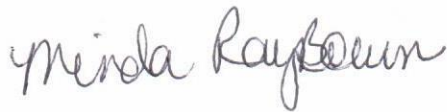
Prior-Year Comments

15. Obtain and report management's representation as to whether any prior-year suggestions, exceptions, recommendations, and/or comments have been resolved.

The prior year report did not include any suggestions, exceptions, recommendations, or comments.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. I was 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 the District's compliance with the foregoing matters. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, LA
May 31, 2023

MT HERMON WATER DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding 2021-001 Submittal of Audit Report

Criteria: Audit reports are due no more than six months after the closing of the entity's fiscal year end.

Condition: The report was submitted June 2023.

Effect: Noncompliance with report due date.

Cause: The company managing the District's operations for years sold out to another company in 2022. The transition caused serious delays in the submittal of the accounting records to the external accountant. In addition, the external accountant had high employee turnover at his firm.

Recommendation: The District should establish policies and procedures to ensure that records are turned over in a timely manner so that the District will be compliant with the deadline.

View of Responsible Official: Management concurs with the findings and will begin working on documenting policies and procedures.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

September 29, 2021 (Date Transmitted)

Minda B Raybourn CPA LLC
820 11th Ave
Franklinton, LA 70438

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of December 31, 2021 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [X] No [] N/A []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [X] No [] N/A []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [X] No [] N/A []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [X] No [] N/A []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [X] No [] N/A []

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [X] No [] N/A []

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [X] No [] N/A []

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes [X] No [] N/A []

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [X] No [] N/A []

We have complied with R.S. 24:515.2 regarding reporting of pre- and post- adjudication court costs, fines and fees assessed or imposed; the amounts collected; the amounts outstanding; the amounts retained; the amounts disbursed, and the amounts received from disbursements.

Yes [] No [] N/A [X]

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes [X] No [] N/A []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [X] No [] N/A []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [X] No [] N/A []

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [X] No [] N/A []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes [X] No [] N/A []

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes [X] No [] N/A []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes [X] No [] N/A []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [X] No [] N/A []

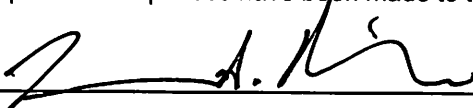
We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

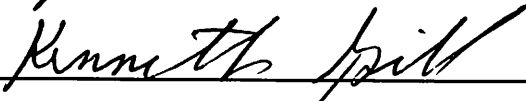
Yes [X] No [] N/A []


We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes [X] No [] N/A []

The previous responses have been made to the best of our belief and knowledge.

 Secretary 10-26-21 Date

 Treasurer 10-26-2021 Date

 President 10-26-2021 Date