

CATAHOULA PARISH WATERWORKS DISTRICT - MAITLAND

Clayton, Louisiana

Annual Financial Statements
and Accountant's Compilation Report

June 30, 2020
and for the Year Then Ended

A. MICHELLE FERGUSON
Certified Public Accountant

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SECTION I
REQUIRED SUPPLEMENTARY INFORMATION

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020

INTRODUCTION

As management of the District, we offer readers of the Maitland Waterworks District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's compiled financial statements.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

The Maitland Waterworks District is located in northeast Louisiana along Highway 15.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2020, Maitland Waterworks District's net assets decreased and resulted in ending net assets of \$452,390.

1. The beginning cash balance for Maitland Waterworks District was \$58,389 in 2020 and the ending cash balance was \$71,713.
2. The District had \$154,864 in revenues in 2020, which primarily consisted of water sales, interest income and meter fees. There were \$148,407 in expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Maitland Waterworks District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

FUND FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$452,390 as of June 30, 2020 and \$470,609 as of June 30, 2019.

Net Assets for the periods ending June 30, 2020 and 2019

The following is a condensed statement of the Maitland Waterworks District's net assets as of June 30, 2020 and 2019:

Current Assets	\$ 30,794	\$ 30,414
Restricted Assets	55,191	47,449
Noncurrent Assets - Capital Assets	1,017,880	1,067,504
Noncurrent Assets - Other Assets	<u>2,163</u>	<u>2,393</u>
Total Assets	<u>1,106,028</u>	<u>1,147,760</u>
Current Liabilities	4,073	6,304
Current Liabilities - Payable from Restricted Assets	52,740	52,134
Long-term Liabilities	<u>596,825</u>	<u>618,713</u>
Total Liabilities	<u>653,638</u>	<u>677,151</u>
Net Assets		
Investment in capital assets, net of related debt	397,976	426,668
Restricted for debt service	55,191	47,449
Unrestricted	<u>(777)</u>	<u>(3,508)</u>
Total Net Assets	<u>\$ 452,390</u>	<u>\$ 470,609</u>
Total Liabilities and Net Assets	<u>\$ 1,106,028</u>	<u>\$ 1,147,760</u>

The largest portion of the District's net assets (\$397,976 or 88%) is its investment in capital assets such as equipment less related debt expended in the acquisition of those assets.

Another portion of the District's net assets (\$55,191 or 12%) is restricted to paying long-term debt. The remaining balance of the net assets ((\$777) or 0%) may be used to pay current operating expenses.

The District has long-term debt of \$596,825 which was used to finance additions to the utility system in prior years. More information concerning this debt may be found on pages 18-21 of the notes to the financial statements. Total liabilities of \$653,638 are equal to 59% of the total assets of the District.

The business type activities decreased the net assets by \$18,219.

The following is a summary of the statement of activities for the years ended June 30, 2020 and 2019:

Revenues:

Water sales	\$ 154,864	\$ 158,876
General revenues	<u>344</u>	<u>258</u>
Total revenues and transfers	<u>155,208</u>	<u>159,134</u>

Expenses:

Operating expenses	148,407	156,118
Interest expenses	<u>25,020</u>	<u>25,197</u>
Total expenses	<u>173,427</u>	<u>181,315</u>

Increase (Decrease) in net assets	\$ (18,219)	\$ (22,181)
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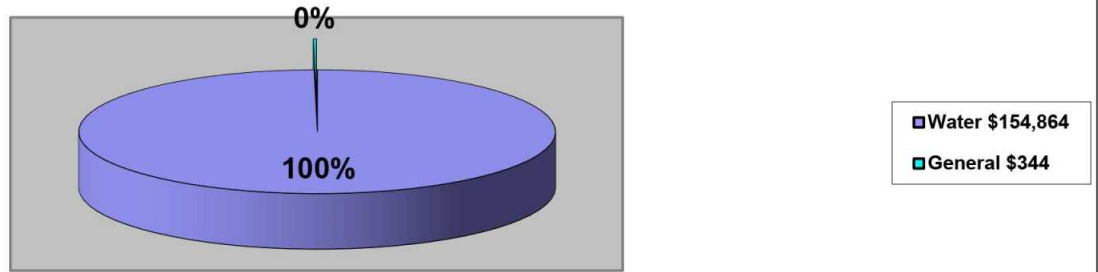
Net assets July 1	<u>470,609</u>	<u>492,790</u>
Net assets June 30	<u>\$ 452,390</u>	<u>\$ 470,609</u>

Business Type Activities

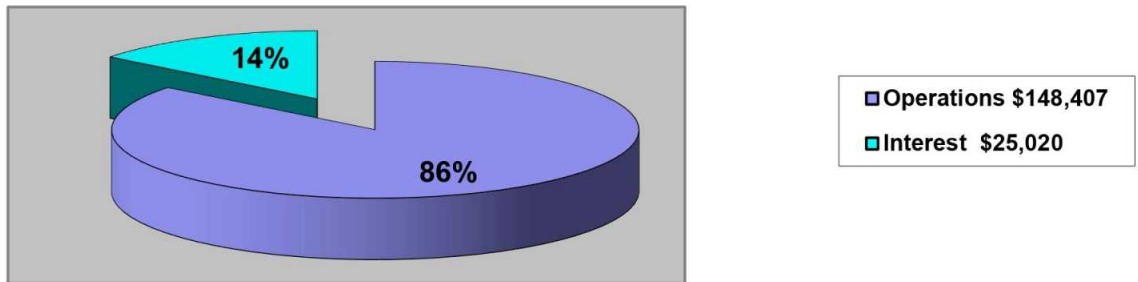
The Business-Type Activities of the District include revenues resulting from fees charged to customers.

The following presents in graphs the information from the Statement of Activities for the Business-Type Activities:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

FUTURE PLANS AND CURRENT IMPROVEMENTS

During the past year, Maitland Waterworks has taken a more proactive stance in connection with the maintenance of our system to ensure the best quality and reliability for the system. In order to improve reliability, Maitland Waterworks has worked to purchase a generator for the water system's permanent use. We have checked with different organizations and received several quotes; however, nothing has been determined at this present date. The district has not increased rates in several years. Several maintenance projects were completed in the prior fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Harold Cowan at the District office at 6243 Highway 15, Clayton, Louisiana. He can be reached by telephone at 318-389-4362.

SECTION II
ANNUAL FINANCIAL STATEMENTS



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Catahoula Parish Waterworks District - Maitland
Vidalia, Louisiana

Management is responsible for the accompanying financial statements of the business type activities of Maitland Waterworks District as of June 30, 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, in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 8 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

I am not independent with regard to Maitland Waterworks District.

March 20, 2021

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Current Assets	
Cash (Note 2)	\$ 16,522
Accounts receivable, water sales	12,867
Prepaid expenses	1,405
Total current assets	\$ 30,794
Restricted Assets (Note 3)	
Cash - Short-Lived Assets Depreciation Fund	\$ 16,869
Cash - Bond Sinking Fund	2,243
Certificates of Deposit - Bond Reserve Account	18,231
Cash - Bond Contingency Account	10,741
Cash - Meter Deposits	7,107
Total restricted assets	\$ 55,191
Capital Assets	
Property, plant and equipment	\$ 1,965,312
Less accumulated depreciation	(947,432)
Total net capital assets	\$ 1,017,880
Other Assets	
Utility deposits	\$ 700
Unamortized bond and organization costs	1,463
Total other assets	\$ 2,163
TOTAL ASSETS	\$ 1,106,028

LIABILITIES

Current Liabilities (Payable from current assets)	
Accounts payable	\$ 2,682
Payroll tax payable	1,391
Total current liabilities (Payable from current assets)	\$ 4,073
Current Liabilities (Payable from restricted assets)	
Customer deposits	\$ 26,575
Notes payable - due in 1 year (Note 5)	23,079
Accrued interest payable	3,086
Total current liabilities (Payable from restricted assets)	\$ 52,740
Long Term Liabilities	
Notes payable - due in more than 1 year (Note 5)	\$ 596,825
Total long term liabilities	\$ 596,825
TOTAL LIABILITIES	\$ 653,638

NET POSITION

Net investment in capital assets	\$ 397,976
Restricted assets	55,191
Unrestricted	(777)
TOTAL NET POSITION	\$ 452,390

See accompanying notes and accountant's compilation report.

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

Operating Revenues	
Water sales and late fees	\$ 154,864
Total operating revenue	<u>\$ 154,864</u>
Operating Expenses	
Salaries	\$ 34,945
Payroll taxes	2,689
Water system operations	31,753
Utility expense	10,354
Office expense and operations	12,086
Professional fees	3,010
Well site rent	1
Insurance	3,714
Depreciation	49,624
Amortization	231
Total operating expense	<u>\$ 148,407</u>
Net Income (Loss) from Operations	\$ 6,457
Non-operating revenues (expenses)	
Interest earnings	\$ 344
Interest expense	<u>(25,020)</u>
Total non-operating revenue (expense)	<u>\$ (24,676)</u>
Change in Net Position	\$ (18,219)
Total Net Position - Beginning	470,609
Total Net Position - Ending	<u><u>\$ 452,390</u></u>

See accompanying notes and accountant's compilation report.

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

Cash flows from operating activities	
Cash received from water sales and customer deposits	\$ 160,065
Cash paid to suppliers and employees	(101,133)
Net cash provided by operating activities	<u>\$ 58,932</u>
Cash flow from capital and related financing activities	
Principal paid on capital debt	\$ (20,932)
Interest paid on capital debt	(25,020)
Grant income received	-
Net cash used by capital and related financing activities	<u>\$ (45,952)</u>
Cash flows from investing activities	
Purchase and construction of fixed assets	\$ -
Interest income received	344
Net cash provided by financing activities	<u>\$ 344</u>
Net increase (decrease) in cash	\$ 13,324
Cash and cash equivalents at beginning of year	58,389
Cash and cash equivalents at end of year	<u><u>\$ 71,713</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 6,457
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	49,624
Amortization	231
Change in assets and liabilities:	
Increase in accounts receivable	5,201
Decrease in prepaid expenses	1
Increase in accounts payable	(3,209)
Decrease in payroll tax payable	377
Increase in customer deposits	250
TOTAL ADJUSTMENTS	<u>\$ 52,475</u>
Net cash provided by operating activities	<u><u>\$ 58,932</u></u>
Interest paid for year ended June 30, 2020	<u><u>\$ 25,020</u></u>

See accompanying notes and accountant's compilation report.

MAITLAND WATERWORKS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - INTRODUCTION

The Maitland Waterworks District is a component unit of the Catahoula Parish Police Jury. It was created by the Police Jury by Ordinance in 1981 to serve the rural areas of eastern Catahoula Parish, under R.S. 33:3811. The Waterworks District is governed by a Board of Commissioners who are appointed by the members of the Police Jury. The Board consists of five members, each serving five-year terms. The Board of Commissioners receives no compensation.

The Waterworks District serves approximately 250 consumers with a staff of two part-time employees. They maintain 99 miles of water lines, supplying over 15,000,000 gallons of water annually from one well.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and *Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The following is a summary of the District's significant policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - As the governing authority of the parish, for reporting purposes, the Catahoula Parish Police Jury is the financial reporting entity for Catahoula Parish. The financial reporting entity consists of (a) the primary government (Catahoula Parish Police Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organizations governing body, and the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity's financial statements would be

misleading if data of the organization is not included because of the nature or significance of the relationship.

Even though the District is legally separate from the police jury, the Catahoula Parish Police Jury appoints a majority of the District's governing body, and the Police Jury has the ability to impose its will on the District. The District also has the potential to provide specific benefits to or impose specific financial burdens on the Police Jury. Because of these reasons, the Maitland Waterworks District is considered a component unit of the Catahoula Parish Police Jury.

- B. Government-Wide and Fund Financial Statements - Maitland Waterworks District is a special-purpose government engaged in only business-type activities and, as such, is only required to present enterprise fund statements (government-wide.)
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Maitland Waterworks District reports the following enterprise funds:

Waterworks - to account for the revenues from customers and expenses of the operation of the water plant

Amounts reported as program revenues include:

- a. Charges to customers for goods, services, or privileges provided.
- b. Operating grants and contributions.
- c. Capital grants and contributions, including special assessments.

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

- D. Cash and Certificates of Deposit - Cash includes amounts in demand deposits. The District conducts all its banking transactions with one state-chartered institution in Catahoula Parish.

At June 30, 2020, the Maitland Waterworks District had \$76,205 (bank's balance) on

deposit at this financial institution.

All cash and certificates of deposit are deposited in financial institutions insured by an agency of the United States Government.

- E. Accounts Receivable – Accounts receivable consists of water charges for Maitland Waterworks District.

An allowance for doubtful accounts is not maintained by Maitland Waterworks District. Bills not paid by the 20th of the following month receive a five percent penalty plus late charges. Customer services are cut off and their consumer deposit is surrendered once two months of nonpayment occurs. A final bill is then prepared for services in excess of the consumer deposit and submitted for collection.

- F. Inventories - Inventories of materials and supplies are considered to be expenditures at the time of purchase. Amounts on hand at the financial statement date are immaterial and, therefore, are not included in the balance sheet.

- G. Restricted Assets - Certain assets of the Maitland Waterworks District are restricted by provisions of bond covenants associated with notes payable to the Farmer's Home Administration.

- H. Property, Plant and Equipment - Additions to the utility plant in service are recognized at cost, or if contributed property, at their estimated fair market value at the time of contribution. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

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

Depreciation of fixed assets used by the Waterworks District is charged as an expense against their operations. Depreciation is calculated over the estimated useful life of the assets using the straight-line method as follows:

Buildings	40 years
Distribution system	40 years
Equipment	5-15 years

- I. Amortization of Bond Expense and Organization Costs - The cost of issuance of bonds and the cost of organizing and legal advice during the creation of the District are being amortized using the straight-line method, over a 40 year period.

- J. Long-Term Liabilities - Long-term debt such as bonds payable is reported as liabilities on the statement of net position.

- K. Equity Classifications Government-wide Statements - In the government wide statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”
4. The unrestricted net position is in a deficit this year for Maitland Waterworks District. The District has adopted an increase in water rates as of June 1, 2019 which is projected to provide adequate funds to meet their operating needs in the future.

The District would typically use Restricted fund balances first, as appropriate opportunities arise, but reserves the right to selectively spend Unrestricted resources first to defer the use of these other classified funds.

- L. Vacation and Sick Leave - The District does not have a formal leave policy for accumulation and vesting of vacation and sick leave. All vacation and sick days accumulated are forfeited upon resignation or dismissal. The days that are granted are included in salaries annually.
- M. Pension Plans - The District does not have a retirement program for its employees and the employees are not members of the State of Louisiana Retirement System. The employees are included in the federal Social Security System.
- N. Income Taxes - Maitland Waterworks District is a special government district, and, as such, is not subject to federal or state income taxes.
- O. 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

At June 30, 2020, the Waterworks District has cash and certificates of deposit totaling \$76,205 as follows:

Demand deposits and savings	\$ 57,874
Certificates of deposit	18,231

Cash on hand

100
\$ 76,205

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. At June 30, 2020, the Waterworks District had \$76,205 in collected bank balances. These deposits are secured from risk by federal deposit insurance.

Cash and cash investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2020. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District has cash and cash equivalents that are covered by \$76,205 of federal depository insurance.

NOTE 3 - RESTRICTED ASSETS

Certain assets were restricted for debt service and construction. These assets consisted of and are restricted to the following:

Short-lived assets fund	\$ 16,869
Bond debt service	18,231
Bond sinking fund	2,243
Bond depreciation fund	10,741
Customer deposits	<u>7,107</u>
	<u>\$ 55,191</u>

NOTE 4 - CHANGES IN FIXED ASSETS

A summary of the Waterworks District's property, plant and equipment and changes thereto follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2020</u>
Land and right of way easements	22,075	0	0	22,075
Distribution system, wells, tanks and fixtures	1,826,823	0	0	1,826,823
Office building, furniture, fixtures, and equip.	116,415	0	0	116,415
	1,965,313	0	0	1,965,313
Less accumulated depreciation	897,809	49,624	0	897,809
	<u>1,067,504</u>	<u>(49,624)</u>	<u>0</u>	<u>1,017,880</u>

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of the notes payable for the year ended June 30, 2020:

	<u>Note 1986</u>	<u>Note 2012</u>	<u>Total</u>
Notes payable at July 1, 2019	115,003	525,832	640,835
Less principal paid	12,145	8,787	20,932
Notes payable at June 30, 2020	102,858	517,045	619,903

Long-term debt at June 30, 2020 consists of:

Notes Payable R-1(1986) - Water Revenue Bonds due to Farmers Home Administration issued December 15, 1986 in the original amount of \$201,700 due in annual installments of \$13,587 thru December 14, 2026 including interest at a rate of 6%. Revenues and the water plant and distribution system are pledged as collateral for this loan.

\$ 75,728

Notes Payable R-2(1986) - Water Revenue Bond due to Farmers Home Administration issued December 15, 1986 in the original amount of \$90,000 at an interest rate of 6% due in annual installments of \$6,062 or more plus interest thru December 14, 2026. This loan is secured by a pledge of revenues from the sale of water by the District and the water plant and distribution system.

27,130

Notes Payable R-04(2012) - Water Revenue Bonds due to Farmers Home Administration issued August 12, 2011 in the original amount of \$509,000 due in monthly installments of \$1,960 thru August 12, 2051 including interest at a rate of 3.375%. Revenues and the water plant and distribution system are pledged as collateral for this loan.

452,277

Notes Payable R-06(2012) - Water Revenue Bond due to Farmers Home Administration issued August 12, 2011 in the original amount of \$73,000 at an interest rate of 3.375% due in monthly installments of \$282 plus interest thru August 12, 2051. This loan is secured by a pledge of revenues from the sale of water by the District and the water plant and distribution system.

64,768

Total notes payable \$619,903

The District's proprietary fund bonds are governed by bond indenture, the terms of which are summarized as follows:

Notes 1986

- 1) Waterworks Operations and Maintenance Fund
Funds are to be transferred to this fund from the Waterworks Revenue Fund on the first day of each month in sufficient amounts to pay all operating expenses and to make a reasonable provision for the repair and maintenance of the system.
- 2) Waterworks Bond Reserve Funds (Debt Service and Sinking: All Notes)
The minimum amount to be transferred to this fund each month from the Waterworks Revenue fund shall be not less than one-twelfth of the amount of principal and interest coming due on the next succeeding note payment date.
- 3) Waterworks Bond Reserve Funds (Debt Service and Sinking: Both Notes)
An amount of 5% of the required minimum monthly debt service is to be transferred from the Waterworks Revenue Fund to the Bond Reserve Fund until \$19,649 has been accumulated.
- 4) Waterworks Depreciation Fund
An amount equal to \$100 per month is to be transferred to this fund on the first day of each month from the Waterworks Revenue Fund. Monies in this fund shall be used solely for the purpose of paying the cost for major repairs or damages caused by unforeseen catastrophe and for the replacements made necessary by the depreciation of the system. Money in this fund may also be used to pay principal or interest on the Bonds falling due at any time there is not sufficient money for payment in the other bond funds.

The District is in compliance with these covenants.

Notes 2012

- 1) The payment of all reasonable and necessary expenses of operating and maintaining the system.
- 2) Sufficient funds available to provide for the monthly electronic debit of principal and interest due.
- 3) A debt service reserve to be funded with a monthly amount of \$123 to be transferred until such fund reaches a balance of one monthly payment amount.
- 4) A depreciation/contingency fund to be established and funded with a monthly amount of \$123 to provide for the depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. When the debt service reserve reaches its targeted balance, the monthly deposits to this fund will increase to \$246.
- 5) The establishment and maintenance of a short-lived asset fund to provide for the

maintenance and replacement of short-lived assets of the system. A sum of \$394 per month will be transferred to this fund until a balance of \$75,685 is reached

The District is in compliance with these covenants.

The annual requirements to retire general long-term debt as of June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	23,079	23,069	46,553
2022	24,146	21,978	46,553
2023	25,339	20,760	46,553
2024	26,595	19,477	46,553
Thereafter	<u>520,744</u>	<u>251,862</u>	<u>761,259</u>
	<u>\$619,903</u>	<u>\$337,146</u>	<u>\$947,471</u>

NOTE 6 - BAD DEBTS EXPENSE

The District uses the direct write-off method to account for bad debts.

NOTE 7 - LITIGATION

The District was not involved in any litigation at June 30, 2020.

NOTE 8 - COMPENSATION OF BOARD OF COMMISSIONERS

There was no compensation or per diem paid to any member of the Board of Commissioners during the year ended June 30, 2020. There were no expenses paid on behalf of the president of the board.