

DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2020  
ISSUED MAY 19, 2021

**LOUISIANA LEGISLATIVE AUDITOR  
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**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
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LOUISIANA LEGISLATIVE AUDITOR  
MICHAEL J. "MIKE" WAGUESPACK, CPA

May 5, 2021

## Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
New Orleans, Louisiana**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund (DWRLF), an enterprise fund of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the fund's basic financial statements as listed in the table of contents.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due

to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DWRLF as of June 30, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in note 1, the financial statements present only the DWRLF, and do not purport to, and do not, present fairly the financial position of the state of Louisiana, the Louisiana Department of Health, or the Office of Public Health as of June 30, 2020, and their changes in financial position or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

#### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the DWRLF's financial statements. The accompanying supplemental information schedules, including the Schedule of Net Position, by Account; the Schedule of Revenues, Expenses, and Changes in Fund Net Position, by Account; and the Schedule of Cash Flows, by Account, on pages 26 through 29, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reports Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2021, on our consideration of the DWRLF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DWRLF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DWRLF's internal control over financial reporting and compliance.

In addition, we have issued a report dated May 5, 2021, on our consideration of the DWRLF's internal control over compliance with certain laws and regulations, and our tests of its compliance with those laws and regulations, in accordance with the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a stylized flourish extending to the right.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

BL:ETM:RR:EFS:aa

DWRLF 2020



**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Net Position, June 30, 2020**

**ASSETS**

Current assets:

Cash in State Treasury (note 2)	\$111,590,164
Receivables (note 3)	14,374,640
Total current assets	<u>125,964,804</u>

Noncurrent assets - loans receivable (note 4)	<u>186,765,380</u>
Total assets	<u><u>312,730,184</u></u>

**LIABILITIES**

Current liabilities (note 6)	<u>277,545</u>
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<b>NET POSITION - Unrestricted</b>	<u><u>\$312,452,639</u></u>
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The accompanying notes are an integral part of this statement.



**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2020**

**OPERATING REVENUES**

Federal funds - set-aside programs	\$1,566,601
Interest earned on loans receivable	5,163,167
Interest earned on cash in State Treasury	1,306,950
Administrative fees	953,825
Total operating revenues	<u>8,990,543</u>

**OPERATING EXPENSES**

Set-aside expenses (note 5)	1,566,601
Bond issuance costs (note 7)	44,280
Bond interest expense	355
Bond commitment and authorization fees	75,000
Principal forgiveness - Environmental Protection Agency	1,874,014
Total operating expenses	<u>3,560,250</u>

**OPERATING INCOME**

5,430,293

    Capital contributions

13,481,036

**CHANGE IN NET POSITION**

18,911,329

**NET POSITION AT BEGINNING OF YEAR**

293,541,310

**NET POSITION AT END OF YEAR**

\$312,452,639

The accompanying notes are an integral part of this statement.



**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2020**

**Cash flows from operating activities**

Cash received from interest on loans	\$5,218,707
Cash received from interest on cash in State Treasury	1,491,849
Cash received from administrative fees	955,363
Cash received from repayment of loan principal	10,660,900
Cash received from allocations for set-aside programs	1,534,110
Cash payments for set-aside programs	(1,534,110)
Cash payments to borrowers	(32,009,046)
Net cash used by operating activities	<u>(13,682,227)</u>

**Cash flows from noncapital financing activities**

Contributed capital	13,481,036
Proceeds from issuance of bonds	3,155,720
Principal paid on bonds	(3,200,000)
Bond commitment and authorization fees	(75,000)
Bond interest expense	(355)
Net cash provided by noncapital financing activities	<u>13,361,401</u>

**Net decrease in cash** (320,826)

**Cash at beginning of year** 111,910,990

**Cash at end of year** \$111,590,164

(Continued)

The accompanying notes are an integral part of this statement.

**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2020**

**Reconciliation of operating income to net cash used  
by operating activities**

Operating income	\$5,430,293
Adjustments to reconcile operating income to net cash used by operating activities:	
Bond issuance costs	44,280
Bond interest expense	355
Bond commitment and authorization fees	75,000
Changes in assets and liabilities:	
Decrease in accounts receivable	24,586
Decrease in due from others	184,900
(Increase) in loans receivable	(19,474,132)
Increase in accounts payable and accrued expenses	32,491
	<u>32,491</u>
Net cash used by operating activities	<u><u>(\$13,682,227)</u></u>

**Noncash investing, capital, and financing activities**

Principal forgiveness on loans - Environmental Protection Agency	<u><u>\$1,874,014</u></u>
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(Concluded)

The accompanying notes are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS

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## INTRODUCTION

The Louisiana Department of Health, Office of Public Health (LDH-OPH) is a department of the state of Louisiana. LDH-OPH was created in accordance with Louisiana Revised Statutes (R.S.) 36:251(c) and 258(b) as a part of the executive branch of government. LDH-OPH is charged with protection of the public health of residents of the state of Louisiana.

The Drinking Water Revolving Loan Fund (DWRLF) program was established pursuant to the federal Safe Drinking Water Act Amendments of 1996 (SDWA). The DWRLF program provides financial assistance to both publicly- and privately-owned community water systems and nonprofit non-community water systems for projects eligible under the SDWA. The DWRLF program presently operates under R.S. 40:2821-2826. These statutes establish a DWRLF program capitalized by federal grants (Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468), by state funds when required or available, and by any other funds generated by the operation of the program. The DWRLF program provides assistance through loans for infrastructure projects and other assistance in the form of set-aside activities for program administration, technical assistance, state program management, local assistance, and other state programs. All efforts are directed toward improving drinking water quality by assisting systems in providing drinking water that meets established standards and that achieves the goals of the SDWA.

LDH-OPH is responsible for the operations and administration of the DWRLF program. LDH-OPH is authorized to apply for and accept capitalization grants from the United States Environmental Protection Agency (EPA), to establish assistance priorities, to perform oversight and other related activities, and to provide financial administration of the set-aside and loan accounts for the DWRLF program.

The DWRLF does not have any full-time employees. However, time spent on the DWRLF program by employees of LDH-OPH is captured and the DWRLF subsequently reimburses LDH-OPH for salaries and benefits as well as other operating expenses of the fund.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB.

**B. REPORTING ENTITY**

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the state of Louisiana. The accompanying financial statements represent activity of a fund of the state of Louisiana that is administered by LDH-OPH, a department within state government. The DWRLF is part of the primary government of the state of Louisiana.

Annually, the state of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

**C. FUND ACCOUNTING**

For the purposes of this report, the DWRLF uses a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the DWRLF are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the Statement of Net Position.

The DWRLF uses the accrual basis of accounting. Revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the DWRLF are federal funds and interest earnings. Operating expenses include the set-aside expenses.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

The DWRLF is budgeted annually by the Louisiana Legislature. The set-aside activities are budgeted as part of the operations of LDH-OPH in the General Appropriations Act.

The Ancillary Appropriations Act (Act 40 of the 2019 Regular Session) authorized expenditures of \$34,000,000 for the loan program. The fund is allowed to retain resources to fund future loans and eligible program activities. Because the fund is an enterprise fund, a budgetary comparison is neither required nor presented in the financial statements.

## **F. LOANS RECEIVABLE**

The DWRLF is operated as a direct loan program. The program provides loans and other financial assistance to public water systems for the purpose of planning, constructing, and rehabilitating public water systems.

The program lends federal and state monies directly to public water systems. For every \$5 provided by the federal government, the state is required to provide a matching share of \$1. The effective match share reflects a federal rate of 83.33% and a state rate of 16.67%. Recycling of principal and interest repayments from borrowing water systems allows the program to operate in perpetuity thereby benefiting other water systems wishing to borrow in the future. Borrowers pay principal and interest directly to the loan program, and all monies are deposited directly into the program. Principal repayments can only be used to make additional loans to water systems. Interest earnings on investments and loans can also be used to make additional loans. In addition, with EPA approval, interest earnings on investments and loans are used to pay off revenue bonds sold to capitalize the program by providing state matching funds.

The loans made by the DWRLF must be made at or below market interest rate with a repayment period not exceeding 30 years plus an interim construction-financing period. The current loan rate is 1.95% for new water construction/water system rehabilitation projects. In addition, water systems are charged an administrative fee of 0.5% on outstanding loan balances payable semiannually. Interest and administrative fees are calculated from the date that funds are advanced and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed.

As evidence of its obligations to pay principal and interest on the loans, each borrower must establish a dedicated source of revenue (or in the case of a privately-owned system, demonstrate that there is adequate security) for repayment of the loan [42 USC 300j-12(f)(1)(C)]. For substantially all of these loans, the loan recipient issues bonds that are purchased by LDH, as administrator of the DWRLF, to secure the repayment of the principal loaned. Principal and interest on the bonds are paid to the DWRLF and upon repayment of the loan, the bonds are returned to the loan recipient. Minimum required coverage ratios are established depending on the nature of the bonded indebtedness issued by the loan recipient as follows:

For limited tax bonds, the principal and interest due in any year on the amount borrowed shall not exceed 75% of the revenues estimated to be received from the levy of the pledged millage in the year in which the indebtedness is issued (R.S. 39:742.2; R.S. 39:522(B)).

For sales tax bonds, the total amount of principal and interest falling due in any year, together with principal and interest falling due in such year on any previously issued sales tax bonds, shall never exceed 75% of the amount of sales tax revenues estimated by the governing authority of the issue to be received by it in the calendar year in which the bonds are issued (R.S. 39:698.4; R.S. 39:523(C)).

For revenue bonds, the requirements for coverage are established contractually in the loan documents (R.S. 39:1019; R.S. 39:524(G)). Expected coverage ratios might range from 110% to 130% or more. The DWRLF goal for collections of the dedicated revenues for repayment of the loan secured by revenue bonds is 125%; however, many factors can create deviation from this goal. It is customary to use the same minimum required coverage ratio as was previously established for outstanding debt of the loan recipient.

For general obligation bonds, the requirements for coverage are statutorily set. The governing authority of the issuer is required to impose and collect annually, in excess of all other taxes, a tax on all property subject to taxation by the issuer sufficient in amount to pay the interest and the principal falling due each year, or such amount as may be required for any sinking fund necessary to retire said bonds at maturity (R.S. 39:569; R.S. 39:521(D)). Typically, the bond millage is adjusted each year so as to generate enough revenues to pay debt service in the ensuing calendar year. No coverage requirements or debt service reserves exist because the tax can be adjusted each year *without any limitation whatsoever* to collect the appropriate amount each year.

In the case of sales tax bonds and revenue bonds, each loan recipient is also required to set up a debt service reserve fund equal to one-half of one year's annual debts service requirements for the purpose of paying principal and interest should the dedicated revenues be insufficient for that purpose. The requirement to maintain a debt service reserve fund is not statutorily required, but is usual and customary for these kinds of indebtedness.

Because of the reserve requirements and the absence of any delinquent loans, there is no provision for uncollectible amounts.

## **G. NET POSITION**

Net position comprises the various net earnings from operations, nonoperating revenues, and contributions of capital. Net position is classified in the following components as applicable:

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of resources subject to external constraints placed on the resources by creditors, grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net assets that are not included in the other categories previously mentioned.

## **H. CAPITAL CONTRIBUTIONS**

The funds drawn for loans from the EPA capitalization grants authorized by the SDWA Amendments of 1996 are recorded as capital contributions.

## **I. COMPENSATED ABSENCES, PENSION BENEFITS AND POSTRETIREMENT BENEFITS**

LDH-OPH provides employees to work on the DWRLF program. Compensated absences, pension benefits, and postretirement benefits are provided and recorded by LDH-OPH and allocated to the fund based on time worked. These allocated expenses are included in the fund financial statements; however, no liability for compensated absences, postemployment benefits, or pension benefits is recorded in the fund financial statements, and no disclosures for compensated absences, pension benefits, or postretirement benefits are included in the fund financial statements, as the ultimate liability is with LDH-OPH rather than the fund.

## **J. ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2. CASH IN STATE TREASURY

As reflected on Statement A, the DWRLF has cash totaling \$111,590,164 at June 30, 2020. All monies of the fund are deposited with the State Treasurer's office. Cash balances are held and controlled by the state treasurer and are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States are included within the state of Louisiana's financial statements.

## 3. RECEIVABLES - DUE FROM OTHERS

As shown on Statement A, the DWRLF has a total due from others of \$14,374,640. This total is comprised of the following:

Due from the federal government - set-aside programs	\$277,545
Due from water systems	14,090,595
Due from State Treasury - interest	<u>6,500</u>
Total	<u><u>\$14,374,640</u></u>

Of the \$14,090,595 due from water systems, \$12,701,239 is the current portion of the principal due, \$1,171,117 is loan interest, and \$218,239 is administrative fees on loans.

## 4. NONCURRENT ASSETS - LOANS RECEIVABLE

The DWRLF makes loans to community water systems both privately and publicly owned and nonprofit non-community water systems for projects that meet the eligibility requirements of the program. Loans are financed by capitalization grants, state match, and revolving funds. The effective interest rate on loans ranges from 1.95% to 3.45%, with an additional 0.5% administration fee, that must be repaid over 20, 25, or 30 years starting two years after the closing date of the loan or one year after the project is completed, whichever occurs first. As of June 30, 2020, 134 of the loans have been closed (completed drawing funds for construction) and the remaining loan commitment balance (loans authorized less loans disbursed) totals \$39,709,632. In addition, 47 of the loans are completely paid off. Loans mature at various intervals through February 1, 2051. The scheduled principal payments on loans maturing in subsequent years are as follows:

Year ending June 30:

2021	\$12,701,239
2022	22,625,762
2023	12,260,100
2024	12,414,600
2025	12,719,000
2026 - 2030	67,339,037
2031 - 2035	45,334,773
2036 - 2040	13,934,343
2041 - 2045	101,128
2046 - 2050	32,225
2051	4,412
	<hr/>
Total loans receivable	<u>\$199,466,619</u>
	<hr/>
Long-term receivable portion	<u>\$186,765,380</u>

As of June 30, 2020, the DWRLF had made 178 loans to 104 water systems as follows:

Water System	Authorized Loan Amount	Loans Outstanding
Ascension Consolidated Utilities District #1 1A	\$300,000	
Ascension Consolidated Utilities District #1 1B	700,000	\$426,000
Ascension Water Co.	6,000,000	
Ascension Water Co. #2	5,000,000	
Atlanta Water System	1,150,000	76,360
Avoyelles Ward One Water System	1,329,365	654,000
Avoyelles WWD #1	2,100,000	1,082,150
Baton Rouge Water Co., Inc.	8,000,000	6,900,262
Bayou Des Cannes Water System, Inc. Loan 1A	666,700	
Bayou Des Cannes Water System, Inc. Loan 1B	1,555,820	928,820
Beauregard Parish WWD #3	3,000,000	1,577,000
Belah Fellowship Water System, Inc.	3,758,000	3,199,612
Bossier City Water System	8,000,000	1,032,277
Buckeye Water District #50	400,000	218,000
Buckeye WD #50 Loan 2 - A	684,000	200,000
Buckeye WD #50 Loan 2 - B	458,000	268,000
Calcasieu WWD#5 of Wards 3 and 8	8,500,000	794,907
Calcasieu WWD#8-1A	384,000	109,000
Calcasieu WWD#8-1B	257,000	146,000
Calcasieu WWD#8-1C	209,000	107,000
Calcasieu WWD#8-2	2,200,000	1,737,983
Calcasieu WWD#12 of Ward 3	2,000,000	1,134,000
City of Alexandria #1A	1,000,000	
City of Alexandria #1B	3,390,000	1,924,000
City of Alexandria #2	7,610,000	4,597,845
City of Baker 1A	2,000,000	635,000
City of Baker 1B	2,200,000	677,000
City of Bogalusa 1A	2,000,000	653,000
City of Bogalusa 1B	3,000,000	1,826,000
City of Broussard	3,750,000	1,122,903
City of Carencro	5,500,000	4,318,609
City of Franklin - 1A	811,000	
City of Franklin - 1B	1,894,000	1,063,000
City of Leesville	4,800,000	3,065,295
City of Mansfield 1-A	1,000,000	
City of Mansfield 1-B	3,120,000	1,916,000
City of Mansfield #2	1,550,000	736,000
City of Mansfield #3	3,280,000	1,785,000
City of Monroe #1	3,000,000	1,605,000
City of Morgan City 1A	1,000,000	
City of Morgan City 1B	1,750,000	1,110,000
City of Morgan City 1W	1,234,000	781,000
City of Natchitoches	3,500,000	
City of Natchitoches 2A	2,000,000	635,000
City of Natchitoches 2B	3,000,000	1,901,000
City of Natchitoches Loan #3	2,000,000	1,200,000
City of Oakdale	1,492,412	114,412
City of Ruston 1A	2,000,000	622,000

Water System	Authorized Loan Amount	Loans Outstanding
City of Ruston 1B	1,334,000	811,000
City of Scott	978,578	698,863
City of Shreveport #1	7,000,000	
City of Shreveport #2	7,000,000	
City of Shreveport #3	5,540,000	
City of Shreveport #4A	2,000,000	608,000
City of Shreveport #4B	8,692,302	5,349,302
City of Springhill	7,456,558	
City of Thibodaux 1-A	1,000,000	
City of Thibodaux 1-B	4,707,276	2,805,276
City of Ville Platte, 1-A	2,000,000	623,000
City of Ville Platte, 1-B	2,050,000	1,280,000
City of Ville Platte, Loan #2	9,450,000	6,402,000
City of Ville Platte, Loan #3	1,100,000	984,000
City of Walker 1-A	156,000	
City of Walker 1-B	364,000	211,000
City of Westlake	3,739,906	
City of Westlake #2A	870,000	
City of Westlake #2B	2,030,000	1,136,000
City of Winnfield	2,500,000	1,279,000
City of Winnfield #2	800,000	46,542
Colyell Community WS	948,600	192,400
Colyell Community WS Loan 2	899,732	461,000
Culbertson Water System, Inc.	598,226	
DeSoto Water District #1	2,350,000	478,000
DeSoto Water District #1, 2-A	708,000	
DeSoto Water District #1, 2-B	1,652,000	1,006,000
DeSoto Water District #1, 3	2,310,000	1,707,278
East Allen Parish Water District, 1-A	381,959	
East Allen Parish Water District, 1-B	891,239	538,239
East Central Vernon Water System, Inc.	2,315,000	1,042,014
French Settlement Water Co., Inc.	770,067	420,000
French Settlement Water Co., Inc., Loan #2	868,378	511,865
Gardner Community Water Assoc., Inc. 1A	400,184	
Gardner Community Water Assoc., Inc. 1B	933,762	589,762
Holmesville Water System, Inc.	2,040,000	1,439,762
Iberville WWD #2 1A	1,906,142	
Iberville WWD #2 1B	1,300,000	
Iberville WWD #3	8,000,000	6,180,372
Indian Village Water System	1,600,000	382,663
Jefferson Parish Consolidated WWD #1	3,143,615	1,826,531
Kolin-Raby Wise Water System, Inc. 1-A	165,000	
Kolin-Raby Wise Water System, Inc. 1-B	385,000	218,000
L&R Utilities, Inc.	1,350,000	34,051
Lafayette WWD North	2,738,586	
Lake Bruin WWD #1	1,200,000	879,268
Louisiana Water Company - New Iberia	6,000,000	2,645,000
Louisiana Water Company - New Iberia #2	3,500,000	1,905,000

Water System	Authorized Loan Amount	Loans Outstanding
Louisiana Water Company - New Iberia #3	6,500,000	4,951,024
Mount Hermon Water District	658,699	337,000
Natchitoches Parish WWD #2-1	3,500,000	
Natchitoches Parish WWD #2-2	649,276	
New Orleans Sewerage & Water Board, 1-A	1,800,000	
New Orleans Sewerage & Water Board, 1-B	1,546,418	
North Franklin Water Works, Inc.	3,750,000	2,131,000
Point Wilhite	925,000	491,000
Point Wilhite Water System, Loan #2	1,610,000	965,000
Rambin-Wallace Water System, Inc.	234,311	133,500
Rambin-Wallace Water System, Inc., #2	420,204	262,559
Rapides Parish WWD #3	5,000,000	3,484,000
Rocky Branch Waterworks District	963,000	738,400
Sabine Parish WWD #1	1,000,000	588,000
Sabine Parish WWD #2	2,600,000	1,207,461
Saint Bernard Parish	11,000,000	8,525,000
Saint Bernard Parish, Loan #2	13,000,000	11,564,795
Saint John the Baptist Parish	5,500,000	1,749,986
Savoy Swords Water System, Inc.	907,238	449,202
Savoy Swords Water System, Inc. 2A	261,144	
Savoy Swords Water System, Inc. 2B	609,337	373,337
South Grant Water System, Inc.	1,450,000	1,102,000
South Vernon WWD #1 of Vernon Parish	677,012	287,909
Southeast Grant Water System, Inc.	244,296	190,296
Southeast WWD #2 of Vermilion Parish	800,000	530,931
Southwest Allen Parish WWD #2, 1-A	298,500	
Southwest Allen Parish WWD #2, 1-B	696,500	403,500
Southwest Allen Parish WWD #2, 2	4,000,000	2,589,578
Southwest Ouachita Waterworks, Inc.	4,666,000	3,873,000
Tannehill Water System	400,000	347,674
Terrebonne Parish Consolidated WWD #1	1,880,809	1,179,000
Terrebonne Parish Loan 2 Consolidated WWD #1	4,200,000	1,844,052
Town of Baldwin	1,249,627	91,000
Town of Bernice	217,221	128,000
Town of Blanchard Loan 1A	1,000,000	
Town of Blanchard Loan 1B	2,657,000	1,487,000
Town of Blanchard Loan 2	8,399,927	5,281,927
Town of Blanchard Loan 3	4,926,424	4,920,424
Town of Churchpoint	2,500,000	
Town of Delcambre	2,013,000	
Town of Delhi	7,500,000	4,743,000
Town of Delhi #2	1,870,000	
Town of Gramercy	1,500,000	819,000
Town of Gramercy, #2	500,000	291,442
Town of Greenwood	5,250,000	3,324,747
Town of Homer	3,600,000	1,918,416
Town of Jackson	797,499	497,249
Town of Lutcher	1,570,000	814,000

Water System	Authorized Loan Amount	Loans Outstanding
Town of Lutcher, #2	500,000	351,000
Town of Many #1	998,522	
Town of Many #2	1,075,320	
Town of Many #3	1,470,192	
Town of New Llano	1,328,528	790,969
Town of Oil City	3,075,900	903,868
Town of Olla	498,985	283,289
Town of Pearl River	1,800,000	892,000
Town of Pollock, 1-A	159,000	
Town of Pollock, 1-B	371,000	
Town of Slaughter #1	1,355,000	941,490
Town of Slaughter #2	640,523	319,000
Town of Sunset	550,000	407,000
Town of Welsh	975,000	693,904
Union Parish WWD #1	990,000	735,000
United Water System, Inc.	360,333	196,000
United Water System, Inc. 2-A	282,269	
United Water System, Inc. 2-B	658,626	419,626
Vernon Parish Water & Sewer Commission	2,575,000	1,659,190
Village of Estherwood	990,000	607,000
Village of Loreauville	1,309,900	411,900
Village of Maurice	2,762,000	1,331,327
Village of Mermentau	1,000,000	553,327
Village of Quitman	480,000	98,500
Walnut Bayou Water Association	8,488,000	7,733,451
Ward 2 Water District of Livingston Parish	9,000,000	
Ward 2 Water District of Livingston Parish-2	5,984,678	
Ward 2 Water District of Livingston Parish-3	4,000,000	2,328,000
Ward 2 Water District of Livingston Parish-4	8,000,000	5,197,170
Ward 2 Water District of Livingston Parish-5	3,000,000	162,850
West Winnsboro	648,093	
West Winnsboro #2	467,460	
Weston Water System, Inc.	405,000	229,500
Weston Water System, Inc. #2	540,000	35,226
Total	<u>\$438,695,178</u>	<u>\$199,466,619</u>

The DWRLF has been awarded 23 federal grants from the EPA. These grants are available through the EPA's Automated Clearing House Payment System (ACH) and the Automated Standard Application for Payments (ASAP) System. Twenty-two grants were authorized by the SDWA Amendments of 1996 and require matching funds from the state. One grant was funded under the American Recovery and Reinvestment Act of 2009 and required no matching funds from the state. As of June 30, 2020, the EPA has awarded grants of \$325,472,700 to the state, of which \$317,649,727 has been drawn, \$280,303,285 for loans, and \$37,346,442 for set-aside activities. The state has provided matching funds through the year ended June 30, 2020, of \$60,023,369. The following summarizes the grants awarded, amounts drawn of each grant as of the balance sheet date, and balances available for future loans and set-aside expenses:

<u>Grant Source</u>	<u>Grant Amount</u>	<u>Cash Basis Cumulative Dollar Draws Set-Asides</u>	<u>Cash Basis Cumulative Dollar Draws Loans</u>	<u>Total Cash Basis Cumulative Dollars Drawn as of June 30, 2020</u>	<u>Remaining Grant Dollars Available as of June 30, 2020</u>
FS996968-01-2	\$20,420,300	\$4,307,056	\$16,113,244	\$20,420,300	
FS996968-02-2	9,949,200	1,553,988	8,395,212	9,949,200	
FS996968-03-0	10,427,700	1,642,927	8,784,773	10,427,700	
FS996968-04-0	10,837,400	1,070,826	9,766,574	10,837,400	
FS996968-05-0	18,934,800		18,934,800	18,934,800	
FS996968-06-0	8,004,100	1,311,487	6,692,613	8,004,100	
FS996968-07-0	8,303,100	1,470,000	6,833,100	8,303,100	
FS996968-08-0	8,285,500	1,165,000	7,120,500	8,285,500	
FS996968-09-0	11,658,600	1,511,662	10,146,938	11,658,600	
FS996968-10-0	11,659,000	236,662	11,422,338	11,659,000	
FS996968-11-0	11,540,000	2,000,000	9,540,000	11,540,000	
FS996968-12-0	11,540,000	1,900,000	9,640,000	11,540,000	
FS996968-13-0	25,649,000	2,425,000	23,224,000	25,649,000	
FS996968-14-0	17,798,000	2,565,000	15,233,000	17,798,000	
FS996968-15-0	16,962,000	2,875,000	14,087,000	16,962,000	
FS996968-16-0	15,914,000	2,639,152	13,274,848	15,914,000	
FS996968-17-0	12,127,000	2,615,000	9,512,000	12,127,000	
FS996968-18-0	12,047,000	1,183,630	10,863,370	12,047,000	
FS996968-19-0	11,396,000	1,325,000	10,071,000	11,396,000	
FS996968-20-0	11,299,000	2,320,000	8,979,000	11,299,000	
FS996968-21-0	16,625,000		14,900,159	14,900,159	\$1,724,841
FS996968-22-0	16,470,000	914,052	9,457,816	10,371,868	6,098,132
2F-96692001-0	27,626,000	315,000	27,311,000	27,626,000	
	<u>\$325,472,700</u>	<u>\$37,346,442</u>	<u>\$280,303,285</u>	<u>\$317,649,727</u>	<u>\$7,822,973</u>

The state has provided its required matching share of federal grant awards through General Fund appropriations and the sale of revenue bonds. Cash contributions from General Fund appropriations and sales of revenue bonds have totaled \$60,023,369. Matching contributions are as follows:

	Cumulative State Match as of June 30, 2019	2020 Contribution	Cumulative State Match as of June 30, 2020
State cash contribution	<u>\$56,942,649</u>	<u>\$3,080,720</u>	<u>\$60,023,369</u>

## 5. SET-ASIDE EXPENSES

A portion of the federal grant amounts awarded by the EPA can be specified to fund set-aside activities as follows:

- Up to 2% to provide technical assistance to small water systems
- Up to 10% to provide state program management
- Up to 15% to provide assistance in the development and implementation of local drinking water protection initiatives and other local assistance and state programs
- To provide administration and technical assistance to public water systems, the greater of \$400,000; 1/5 % of the current valuation of the fund; or an amount equal to 4 % of all grant awards to the fund.

Set-aside expenses are summarized as follows:

	<u>2020</u>	<u>Prior Years</u>	<u>Total</u>
Administration	\$480,468	\$7,302,659	\$7,783,127
Small system technical assistance	297,052	3,557,359	3,854,411
State programs	305,946	19,540,113	19,846,059
Local assistance and state programs	483,135	5,342,255	5,825,390
ARRA Grant	NONE	315,000	315,000
Total	<u>\$1,566,601</u>	<u>\$36,057,386</u>	<u>\$37,623,987</u>

The amount of 2020 set-aside expenses of \$1,566,601 includes accruals and payables of \$277,545.

## 6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2020:

Vendor payables	\$228,789
Payroll accrual	<u>48,756</u>
Total	<u>\$277,545</u>

## 7. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term debt transactions of the fund for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Portion Due Within One Year
Bonds payable	NONE	\$3,200,000	\$3,200,000	NONE	NONE

The fund is allowed by CFR 35.3550(g)(3) to issue general obligation or revenue bonds to derive the state match. Furthermore, the secretary of LDH, through a Resolution by Executive Order pursuant to R.S. 30:2011 *et seq.*, was authorized, for state matching purposes, to borrow through the issuance of LDH's note to the Louisiana Public Facilities Authority (LPFA), a conduit issuer of serial bonds for LDH and the state.

The serial bond issues, LPFA Revenue Bonds (Drinking Water Revolving Loan Fund Match Project) Series 2002 and 2006, were issued during the fiscal year ending June 30, 2003, and June 30, 2006, in an amount up to \$8,000,000 and \$7,300,000, respectively. The 2006 series was subsequently amended several times to increase the maximum amount allowed to \$58,300,000. This Indenture of Trust was issued between the LPFA and Hancock Bank of Louisiana. This indebtedness was secured solely from the pledge of a portion of the revenues received by LDH from loans made by the program (interest earned on loans receivable and interest earned on cash in State Treasury). The LPFA is a public trust and public corporation organized and existing for the benefit of the state of Louisiana.

Following is a historical summary of both series including their amendments, issuance costs and proceeds:

**BONDS PAYABLE**

Bond Issuance Date	Bond Issuance Amount	Draw Number	Draw Date	Fiscal Year	Draw Amount	Bonds Cancelled	Issuance Costs	Bond Proceeds	Bond Available Balance	Date Defeased
12/23/2002	\$8,000,000	1	12/23/2002	2003	\$1,000,000		\$76,788	\$923,212	\$7,000,000	12/24/2002
<u>Series 2002</u>			10/29/2003	2004			(251)	251	7,000,000	
		2	12/12/2003		1,000,000		66,712	933,288	6,000,000	12/13/2003
		3	3/18/2004		500,000		4,550	495,450	5,500,000	3/19/2004
		4	5/26/2004		1,000,000		7,754	992,246	4,500,000	5/27/2004
			11/29/2004	2005			(674)	674	4,500,000	
		5	5/3/2005		1,000,000		7,754	992,246	3,500,000	5/4/2005
		6	6/23/2005		1,000,000		7,201	992,799	2,500,000	8/16/2005
		Cancelled	5/18/2006	2006		\$2,500,000				
	<b>\$8,000,000</b>				<b>\$5,500,000</b>	<b>\$2,500,000</b>	<b>\$169,834</b>	<b>\$5,330,166</b>	<b>None</b>	
5/18/2006	\$7,300,000	1	5/18/2006	2006	\$1,000,000		\$57,989	\$942,011	\$6,300,000	5/19/2006
<u>Series 2006</u>		2	11/29/2006	2007	1,500,000		12,330	1,487,670	4,800,000	11/30/2006
		3	9/6/2007	2008	1,250,000		8,550	1,241,450	3,550,000	9/7/2007
			12/28/2007				8,875	(8,875)	3,550,000	
		4	3/31/2008		1,000,000		7,396	992,604	2,550,000	4/1/2008
8/28/2008	5,000,000	5	9/9/2008	2009	1,250,000		8,301	1,241,699	6,300,000	9/10/2008
<u>(Amendment 1)</u>			12/31/2008				15,750	(15,750)	6,300,000	
		6	1/13/2009		1,000,000		7,387	992,613	5,300,000	1/14/2009
3/10/2009	1,000,000	7	11/12/2009	2010	2,000,000		21,968	1,978,032	4,300,000	11/13/2009
<u>(Amendment 2)</u>		8	5/20/2010		3,300,000		22,177	3,277,823	6,000,000	5/21/2010
5/20/2010	5,000,000								6,000,000	
<u>(Amendment 3)</u>		9	9/1/2010	2011	2,000,000		14,150	1,985,850	14,000,000	1/7/2011
9/1/2010	10,000,000	10	12/1/2010		2,000,000		29,381	1,970,619	12,000,000	6/17/2011
<u>(Amendment 4)</u>		11	2/9/2011		2,000,000		10,746	1,989,254	10,000,000	12/29/2011
			6/10/2011				12,700	(12,700)	10,000,000	
		12	1/6/2012	2012	1,500,000		10,395	1,489,605	8,500,000	5/8/2012
			5/8/2012				12,700	(12,700)	8,500,000	
		13	7/25/2012	2013	1,000,000		7,163	992,837	7,500,000	7/26/2012
		14	10/23/2012		1,000,000		7,052	992,948	6,500,000	10/24/2012
		15	1/22/2013		1,250,000		21,019	1,228,981	5,250,000	1/23/2013
		16	4/18/2013		1,000,000		7,071	992,929	4,250,000	5/1/2013
7/22/2013	10,000,000	17	7/18/2013	2014	1,500,000		9,363	1,490,637	12,750,000	9/13/2013
<u>(Amendment 5)</u>			7/30/2013				20,000	(20,000)	12,750,000	
							22,061	(22,061)	12,750,000	
		18	11/13/2013		1,250,000		8,566	1,241,434	11,500,000	12/20/2013
		19	4/3/2014		1,200,000		20,801	1,179,199	10,300,000	5/2/2014
		20	8/7/2014	2015	1,200,000		8,036	1,191,964	9,100,000	8/8/2014
		21	12/18/2014		1,250,000		8,303	1,241,697	7,850,000	12/19/2014
		22	7/30/2015	2016	2,500,000		24,907	2,475,093	5,350,000	7/31/2015
		23	2/4/2016		2,000,000		23,532	1,976,468	3,350,000	2/5/2016
		24	6/21/2016		2,000,000		11,383	1,988,617	1,350,000	6/22/2016
9/30/2016	10,000,000			2017			29,415	(29,415)	11,350,000	
<u>(Amendment 6)</u>		25	12/7/2016		1,500,000		10,231	1,489,769	9,850,000	12/8/2016
		26	4/26/2017		1,500,000		9,157	1,490,843	8,350,000	4/27/2017
		27	2/22/2018	2018	2,500,000		66,201	2,433,799	5,850,000	2/23/2018
4/1/2019	10,000,000	28	9/18/2018	2019	3,200,000		13,819	3,186,181	2,650,000	9/19/2018
<u>(Amendment 7)</u>				2019			30,421	(30,421)	12,650,000	
		29	10/9/2019	2020	3,200,000		88,858	3,080,720	9,450,000	10/10/2019
	<b>\$58,300,000</b>				<b>\$48,850,000</b>		<b>\$708,154</b>	<b>\$48,111,424</b>		
	<b>\$66,300,000</b>				<b>\$54,350,000</b>		<b>\$877,988</b>	<b>\$53,441,590</b>		

As of June 30, 2020, a total of \$53,441,590 was generated for matching fund purposes by the issuance of these serial bonds. Bond issuance costs of \$877,988 were absorbed by bond proceeds and are, therefore, not required to be charged against the 4% administrative costs allowance in accordance with Drinking Water State Revolving Fund program guidelines. There is an available balance of \$9,450,000 on Series 2006 as amended. The \$3,200,000 of bonds issued in fiscal year 2020 was repaid before the end of the fiscal year leaving no bonds payable at June 30, 2020.

## **8. LITIGATION AND CLAIMS**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by legislative appropriation. The DWRLF has no lawsuits outstanding at June 30, 2020.

## **9. OTHER DISCLOSURE – IMPACTS OF COVID-19 SHUTDOWNS**

Beginning in March 2020, the DWRLF services were impacted because of the stay-at-home order associated with the COVID-19 public health emergency. The impact of ongoing construction projects across the state suspending operations lead to a greatly reduced amount of reimbursement requests to the program. This reduced the funds expended by the program for fiscal year 2020. The program will continue to monitor the impact caused by COVID-19.

## SCHEDULES

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### **SUPPLEMENTAL INFORMATION SCHEDULES**

**As of and for the Year Ended June 30, 2020**

The Drinking Water Revolving Loan Fund is considered one fund, which is comprised of a loan element and an administrative and state match element. The U.S. Environmental Protection Agency requested information on each of these elements. The supplementary information schedules 1 through 3 provide the details requested by the U.S. Environmental Protection Agency.



**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Net Position, by Account, June 30, 2020**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
<b>ASSETS</b>			
Current assets:			
Cash in State Treasury	\$101,549,014	\$10,041,150	\$111,590,164
Receivables	14,155,816	218,824	14,374,640
Total current assets	115,704,830	10,259,974	125,964,804
Noncurrent assets - loans receivable	186,765,380	NONE	186,765,380
<b>Total assets</b>	<b>302,470,210</b>	<b>10,259,974</b>	<b>312,730,184</b>
<b>LIABILITIES</b>			
Current liabilities	277,545	NONE	277,545
<b>NET POSITION - Unrestricted</b>	<b>\$302,192,665</b>	<b>\$10,259,974</b>	<b>\$312,452,639</b>



**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Revenues, Expenses, and  
Changes in Fund Net Position, by Account  
For the Fiscal Year Ended June 30, 2020**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
<b>OPERATING REVENUES</b>			
Federal funds - set-aside programs	\$1,566,601		\$1,566,601
Interest earned on loans receivable	5,163,167		5,163,167
Interest earned on cash in State Treasury	1,197,609	\$109,341	1,306,950
Administrative fees		953,825	953,825
<b>Total operating revenues</b>	<u>7,927,377</u>	<u>1,063,166</u>	<u>8,990,543</u>
<b>OPERATING EXPENSES</b>			
Set-aside expenses	\$1,566,601		1,566,601
Bond issuance costs	44,280		44,280
Bond interest expense	355		355
Bond commitment and authorization fees	75,000		75,000
Principal forgiveness - Environmental Protection Agency	1,874,014		1,874,014
<b>Total operating expenses</b>	<u>3,560,250</u>	<u>NONE</u>	<u>3,560,250</u>
<b>OPERATING INCOME</b>	4,367,127	1,063,166	5,430,293
Capital contributions	<u>13,481,036</u>	<u>NONE</u>	<u>13,481,036</u>
<b>CHANGE IN NET POSITION</b>	17,848,163	1,063,166	18,911,329
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>284,344,502</u>	<u>9,196,808</u>	<u>293,541,310</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$302,192,665</u>	<u>\$10,259,974</u>	<u>\$312,452,639</u>



**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Cash Flows, by Account  
For the Fiscal Year Ended June 30, 2020**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
<b>Cash flows from operating activities</b>			
Cash received from interest on loans	\$5,218,707		\$5,218,707
Cash received from interest on cash in State Treasury	1,367,765	\$124,084	1,491,849
Cash received from administrative fees	0	955,363	955,363
Cash received from repayment of loan principal	10,660,900		10,660,900
Cash received from allocations for set-aside programs	1,534,110		1,534,110
Cash payments for set-aside expenses	(1,534,110)		(1,534,110)
Cash payments to borrowers	(32,009,046)		(32,009,046)
<b>Net cash provided (used) by operating activities</b>	<u>(14,761,674)</u>	<u>1,079,447</u>	<u>(13,682,227)</u>
<b>Cash flows from noncapital financing activities</b>			
Contributed capital	13,481,036		13,481,036
Proceeds from issuance of bonds	3,155,720		3,155,720
Principal paid on bonds	(3,200,000)		(3,200,000)
Bond commitment and authorization fees	(75,000)		(75,000)
Bond interest expense	(355)		(355)
<b>Net cash provided by noncapital financing activities</b>	<u>13,361,401</u>	<u>NONE</u>	<u>13,361,401</u>
<b>Net (decrease) increase in cash</b>	(1,400,273)	1,079,447	(320,826)
<b>Cash at beginning of year</b>	<u>102,949,287</u>	<u>8,961,703</u>	<u>111,910,990</u>
<b>Cash at end of year</b>	<u>\$101,549,014</u>	<u>\$10,041,150</u>	<u>\$111,590,164</u>

(Continued)

**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND  
Schedule of Cash Flows, by Account, 2020**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income	\$4,367,127	\$1,063,166	\$5,430,293
Adjustments to reconcile operating income to net cash used by operating activities:			
Bond issuance costs	44,280		44,280
Bond interest expense	355		355
Bond commitment and authorization fees	75,000		75,000
Changes in assets and liabilities:			
Decrease in accounts receivable	23,049	1,537	24,586
Decrease in due from others	170,156	14,744	184,900
(Increase) in loans receivable	(19,474,132)		(19,474,132)
Increase in accounts payable and accrued expenses	32,491		32,491
<b>Net cash provided (used) by operating activities</b>	<u><u>(\$14,761,674)</u></u>	<u><u>\$1,079,447</u></u>	<u><u>(\$13,682,227)</u></u>
<b>Noncash investing, capital, and financing activities</b>			
Principal forgiveness on loans - Environmental Protection Agency	<u><u>\$1,874,014</u></u>	<u><u>NONE</u></u>	<u><u>\$1,874,014</u></u>

OTHER REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
AND *THE ENVIRONMENTAL PROTECTION AGENCY AUDIT*  
*GUIDE FOR CLEAN WATER AND DRINKING WATER*  
*STATE REVOLVING FUND PROGRAMS*

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**Exhibits A-B**

The following pages contain reports on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards* issued by the Comptroller General of the United States and on internal control and compliance with requirements applicable to the Capitalization Grants for Drinking Water State Revolving Funds Program in accordance with the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*.





LOUISIANA LEGISLATIVE AUDITOR  
MICHAEL J. "MIKE" WAGUESPACK, CPA

May 5, 2021

Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND**  
**LOUISIANA DEPARTMENT OF HEALTH,**  
**OFFICE OF PUBLIC HEALTH**  
**STATE OF LOUISIANA**  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund, an enterprise fund of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the fund's basic financial statements, and have issued our report thereon dated May 5, 2021. Our report was modified to include an emphasis of matter paragraph regarding financial statement comparability.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Drinking Water Revolving Loan Fund's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the fund's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor



LOUISIANA LEGISLATIVE AUDITOR  
MICHAEL J. "MIKE" WAGUESPACK, CPA

May 5, 2021

Report on Compliance With Requirements Applicable  
to the Capitalization Grants for Drinking Water State Revolving Funds  
Program and on Internal Control over Compliance in Accordance With the  
*Environmental Protection Agency Audit Guide for  
Clean Water and Drinking Water State Revolving Fund Programs*

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND  
LOUISIANA DEPARTMENT OF HEALTH,  
OFFICE OF PUBLIC HEALTH  
STATE OF LOUISIANA  
New Orleans, Louisiana**

**Report on Compliance for the Capitalization Grants  
for Drinking Water State Revolving Funds Program**

We have audited the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's compliance with the types of compliance requirements described in the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs* (Audit Guide) that could have a direct and material effect on the Capitalization Grants for Drinking Water State Revolving Funds program (CFDA 66.468) for the year ended June 30, 2020.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the Capitalization Grants for Drinking Water State Revolving Funds program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's Capitalization Grants for Drinking Water State Revolving Funds program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with

auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of the Audit Guide. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for Drinking Water State Revolving Funds program occurred. An audit includes examining, on a test basis, evidence about the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's Capitalization Grants for Drinking Water State Revolving Funds program. However, our audit does not provide a legal determination of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's compliance.

### **Opinion on Compliance for the Capitalization Grants for Drinking Water State Revolving Funds Program**

In our opinion, the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Capitalization Grants for Drinking Water State Revolving Funds program for the year ended June 30, 2020.

### **Report on Internal Control over Compliance**

Management of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control over compliance with the types of requirements that could have a direct and material effect on its Capitalization Grants for Drinking Water State Revolving Funds program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its Capitalization Grants for Drinking Water State Revolving Funds program and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

BL:ETM:RR:EFS:aa

DWRLF 2020