

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

**REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the 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 of 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 the 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 District'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 District'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 respective financial position of the business-type activities of Ward Two Water District of Livingston Parish as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Ward Two Water District of Livingston Parish's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ward Two Water District of Livingston Parish's basic financial statements. The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), and schedule of water rates, tap fees and number of customers (Schedule 3) are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), schedule of water rates, tap fees and number of customers (Schedule 3) are the responsibility of management and were derived from and relate 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 schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), schedule of water rates, tap fees and number of customers (Schedule 3) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ward Two Water District of Livingston Parish's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 15, 2021

Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
Management's Discussion and Analysis
December 31, 2020

Introduction

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

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

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

Financial Highlights

- At December 31, 2020, total assets and deferred outflows of resources were \$41,501,236 and exceeded liabilities in the amount of \$23,564,465 (i.e., net position). Of the total net position, \$2,787,640 was unrestricted and available to support short-term operations; \$4,585,737 was restricted for capital projects and debt service, with the balance of \$16,191,088 as net investment in capital assets.
- For the year ended December 31, 2020, user fee revenues (water sales) increased 7.82% to \$6,408,184 as compared to \$5,943,869 for the fiscal year ended December 31, 2019.
- The District's expenses increased 7.66% to \$6,019,641 as compared to \$5,591,761 in 2019.
- The District had assets and asset improvements placed in service of \$1,983,695 during the year ended December 31, 2020.

The reasons for the above changes, and for other changes in the financial position of the District, are discussed following the financial statement tables and presentations within the Management Discussion and Analysis.

Overview of the Annual Financial Report

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

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

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

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

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

Financial Analysis

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

Condensed Balance Sheets
As of December 31, 2020 and 2019

	2020	2019	Dollar Change	Percentage Change
Assets:				
Current Assets	\$ 9,351,679	\$ 9,460,340	\$ (108,661)	(1.15%)
Noncurrent Assets:				
Other Assets	492	492	-	0.00%
Capital Assets	31,717,099	31,114,384	602,715	1.94%
Total Assets	<u>41,069,270</u>	<u>40,575,216</u>	<u>494,054</u>	1.22%
Deferred Outflows of Resources:				
Deferred Amount on Refunding of Debt	431,966	478,833	(46,867)	(9.79%)
Total Assets and Deferred Outflows of Resources	<u>41,501,236</u>	<u>41,054,049</u>	<u>447,187</u>	1.09%
Liabilities:				
Current Liabilities	4,412,969	8,838,499	(4,425,530)	(50.07%)
Long-Term Liabilities	13,523,802	10,173,740	3,350,062	32.93%
Total Liabilities	<u>17,936,771</u>	<u>19,012,239</u>	<u>(1,075,468)</u>	(5.66%)
Net Position:				
Net Investment in Capital Assets	16,191,088	14,391,348	1,799,740	12.51%
Restricted for Capital Activity and Debt Service	4,585,737	4,616,464	(30,727)	(0.67%)
Unrestricted	2,787,640	3,033,998	(246,358)	(8.12%)
Total Net Position	<u>\$ 23,564,465</u>	<u>\$ 22,041,810</u>	<u>\$ 1,522,655</u>	6.91%

The major components of change for “Current Assets” were primarily increases of Unbilled Water Sales of \$193,864, Restricted Assets of \$62,694, and Prepaid Insurance of \$33,541. In addition, there were decreases in Cash and Cash Equivalents of \$289,718, Accounts Receivable (net) of \$99,738.

“Capital Assets” increased by net of \$602,715 primarily from the additions of utility improvements, construction in progress, and vehicles of \$1,862,896 and subtraction of depreciation by \$1,260,181.

“Deferred Amount on Refunding of Debt” decreased by \$46,867 for amortization of the advanced refunding difference.

“Total Liabilities” decreased by \$1,075,468 from changes in Short Term, Long Term Debt, and Bond Anticipation Note Payable. The repayment of regular scheduled principal payments on debt caused a decrease of \$1,898,000. In addition, the District had an increase of debt of \$654,108. Also Accounts Payable and Accrued Payables decreased by a net of \$7,526. There was an increase in Construction Payable by \$83,406. There was also an increase in Customer Deposits \$95,138.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

	2020	2019	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 7,189,651	\$ 6,759,161	\$ 430,490	6%
Nonoperating Revenues	352,645	273,218	79,427	29%
Total Revenues	<u>7,542,296</u>	<u>7,032,379</u>	<u>509,917</u>	7%
Expenses:				
Depreciation	1,260,181	1,261,028	(847)	0%
Other Operating Expenses	4,247,907	3,774,412	473,495	13%
Nonoperating Expenses	511,553	556,321	(44,768)	(8%)
Total Expenses	<u>6,019,641</u>	<u>5,591,761</u>	<u>427,880</u>	8%
Change in Net Position	1,522,655	1,440,618	82,037	6%
Beginning Net Position	<u>22,041,810</u>	<u>20,601,192</u>	<u>1,440,618</u>	7%
Ending Net Position	<u>\$ 23,564,465</u>	<u>\$ 22,041,810</u>	<u>\$ 1,522,655</u>	7%

While the Balance Sheet shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's is being conservatively managed in a time of consistent expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 22,583 at fiscal yearend compared to 21,803 in 2019, for an increase of 780.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by \$430,490 (6.37%) for the fiscal year ended December 31, 2020 after an \$192,022 (2.92 %) increase for the year ended December 31, 2019. The increase in Operating Revenues for 2020 were related to more water usage by the customer base during the year. The Non-operating Revenues also increased by \$79,427.

Total expenses increased by \$427,880 from the prior year reflecting a \$44,768 decrease in non-operating expenses (majority being interest expense). In addition, there was a net increase in other contractual expenses of \$44,863, increase in repairs and maintenance of \$293,125, increase in supplies of \$46,301, increase in office expenses of \$44,192, increase in utilities of \$15,058, increase in personal services and benefits of \$16,098 as well as decreases in insurance of \$1,670. Also, there was a \$847 decrease in depreciation expense in 2020 compared to 2019.

The above changes resulted in an increase in Net Position of \$1,522,655 for the year ended December 31, 2020, as compared to an increase in net position of \$1,440,618 for the year ended December 31, 2019.

Budgetary Highlights

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana adopts an annual operating budget and reviews budget-to-actual performance on a monthly basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in “Schedule 1 - Budgetary Comparison Schedule”, as supplementary information, following the footnotes to the financial statements.

Condensed Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2020

	Final Budget December 31, 2020	Actual December 31, 2020	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 7,034,000	\$ 7,189,651	\$ 155,651
Nonoperating Revenues	367,000	352,645	(14,355)
Total Revenues	<u>7,401,000</u>	<u>7,542,296</u>	<u>141,296</u>
Expenses:			
Depreciation	1,290,000	1,260,181	29,819
Other Operating Expenses	4,019,900	4,247,907	(228,007)
Nonoperating Expenses	630,000	511,553	118,447
Total Expenses	<u>5,939,900</u>	<u>6,019,641</u>	<u>(79,741)</u>
Change in Net Position	1,461,100	1,522,655	61,555
Beginning Net Position	<u>22,041,810</u>	<u>22,041,810</u>	-
Ending Net Position	<u>\$23,502,910</u>	<u>\$23,564,465</u>	<u>\$ 61,555</u>

Actual Operating Revenues were greater than budgeted Operating Revenues by a favorable variance of 2.22%. Actual Other Operating Expenses were less than budgeted amounts by \$961,993. Actual Non-operating Expenses were less than budgeted amounts by \$118,447 comprised primarily of decreased interest expense. The major reason for Actual Operating Expenses being over budget \$228,007 was primarily attributed to increases over budget in personal services and benefits of \$71,853, computer expense \$17,107, and repairs and maintenance of \$149,846.

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

As of December 31, 2020 and 2019, the District had the following number of customers:

	December 31, 2020	December 31, 2019	Increase (Decrease)
Customers			
Residential	21,143	20,339	804
Nonresidential	1,440	1,464	(24)
Total Customers	<u>22,583</u>	<u>21,803</u>	<u>780</u>

Revenue and Expense Data Per Customer Per Month

	December 31, 2020	December 31, 2019	Increase (Decrease)	Percentage Change
Water Sales	\$ 23.65	\$ 22.72	\$ 0.93	4%
Operating Revenues	26.53	25.83	0.70	3%
Total Revenues	27.83	26.88	0.95	4%
Operating Expenses	20.33	19.25	1.08	6%
Total Expenses	22.21	21.37	0.84	4%

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2020 and 2019.

	December 31, 2020	December 31, 2019	Increase (Decrease)
Accounts Receivable			
Current	\$ 473,929	\$ 551,229	\$ (77,300)
31-60 Days Past Due	34,171	56,609	(22,438)
Over 60 Days Past Due	62,247	33,652	28,595
Subtotal	570,347	641,490	(71,143)
Allowance for Uncollectible Accounts	<u>(62,247)</u>	<u>(33,652)</u>	<u>(28,595)</u>
Net Accounts Receivable	<u>\$ 508,100</u>	<u>\$ 607,838</u>	<u>\$ (99,738)</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ended December 31, 2020, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had \$31,717,099 (net of accumulated depreciation) recorded in capital assets. The District continues to make additions to its water system to meet the demands of its increasing customer base. The changes in capital assets are presented in the table below.

	December 31, 2020	December 31, 2019	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 553,594	\$ 553,594	\$ -	0%
Construction in Progress	-	120,799	(120,799)	100%
Utility System	48,032,908	46,107,198	1,925,710	4%
Buildings	974,108	974,108	-	0%
Equipment	1,315,692	1,315,692	-	0%
Furniture and Fixtures	41,565	41,565	-	0%
Vehicles	555,064	497,079	57,985	12%
Subtotal	51,472,931	49,610,035	1,862,896	4%
Less: Accumulated Depreciation	(19,755,832)	(18,495,651)	(1,260,181)	7%
Net Capital Assets	<u>\$ 31,717,099</u>	<u>\$ 31,114,384</u>	<u>\$ 602,715</u>	2%

Long-Term Debt

The primary source of long-term financing for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana are seven series of existing bonds financed by financial institutions and various government agencies. During 2012, the District refunded several series of bonds in order to reduce interest expense and fees over the life of the bonds. The refunding of the Series 2000 bonds and Series 2005 bonds resulted in a decrease of total debt service payments over the next 14 years by \$728,956 and resulted in an economic gain of \$628,526. The partial refunding of the Series 2004 bonds resulted in a decrease of total debt service payments over the next 17 years by \$585,966 and an economic gain of \$480,303. Details including balances, payments, and interest rates are included in Note 6 - Long-Term Debt.

Bonds financed for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana require a specific debt service to net income ratio, referred to as the "Bond Debt Coverage Ratio" in Footnote 8 - Long Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 8, measures the extent to which revenues of the District are sufficient to cover the costs of operation and debt service including annual installments for debt service and required deposits to the Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The ratio of revenue to operating expenses, exclusive of non-cash flow items such as depreciation, and amortization, and the aforementioned debt requirements must equal at least 125%. For existing bonds at December 31, 2020, the Bond Debt Coverage Ratio exceeded the 125% requirement.

Future Economic Plans

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's management approach has been conservative when estimating revenues and expenses of operation but has been aggressive to meet the needs of a rapidly expanding water system. During 2010, the District, based on the District's consulting engineer's recommendation, approved resolutions authorizing additional loan proceeds from the Department of Health and Hospitals (DHH) to fund a maximum of Twelve Million (\$12,000,000) in construction improvements and expansions. Funds are to be repaid with a pledge of revenues by the District. During 2012, the District completed the construction and placed in service the improvement and expansions related to the \$4,000,000 Series 2010A Revenue Bonds. The District closed the loan on the \$8,000,000 Series 2011A Bonds during the fourth quarter of 2011 and began construction in the first quarter of 2012. At December 31, 2020, the District had received the full \$8,000,000 (\$1,125,000 which has been forgiven) in bond anticipation notes of an authorized \$8,000,000 Series 2011A Revenue Bond and the remaining projects were completed in 2020. During 2012, the District fully refunded the Series 2000 bonds and Series 2005 bonds and partially refunded the Series 2004 bonds in order to reduce interest expense and fees over the life of the bonds. The refunding bonds were classified as the 2012A, 2012B, 2012C and 2012D bonds. Since the refunding, the 2012C bonds have been paid off.

In 2017, the District had a slower numerical customer growth than experienced in the past five years due mainly to the August 2016 federal disaster event, but in 2017 actually provided more water to the customer base of the District resulting in water related revenue increasing by 4% and overall operating expenses decreasing 3%, compared to 2016. The rebound from the federal disaster of 2016 experienced by customers is now showing signs of consistent growth again in both 2019 and 2020. Development plans are once again taking action which will again increase the customer base of the District in the years ahead as experienced since 2010. The District has expanded customer growth primarily in southern and southeastern portions of Livingston Parish via purchasing existing water systems such as the Port Vincent and French Settlement areas. Further expansion into southern areas will be explored in upcoming months.

Contacting the District's Management

This financial report is designed to provide a general overview of the finances of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana, for all those interested in the District's finances. Questions regarding any of the information in this report or request for additional information should be addressed to Manager, Ward Two Water District of Livingston Parish, Post Office Box 637, Denham Springs, Louisiana 70727.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET

AS OF DECEMBER 31, 2020

(With Comparative Totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,180,292	\$ 2,470,010
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$62,247 and \$33,652, respectively)	508,100	607,838
Unbilled Water Sales	409,018	215,154
Due from Other Governments	206,718	215,757
Other	8,343	9,002
	<u>1,132,179</u>	<u>1,047,751</u>
Restricted Assets:		
Cash and Cash Equivalents - Cash for Customer Deposits	657,726	637,108
Bond Covenant Accounts	4,515,665	4,471,374
Construction Account	269,012	271,227
	<u>5,442,403</u>	<u>5,379,709</u>
Inventory	466,211	465,817
Prepaid Insurance	130,594	97,053
Total Current Assets	<u>9,351,679</u>	<u>9,460,340</u>
Noncurrent Assets:		
Deposits	492	492
Capital Assets:		
Land and Construction in Progress	553,594	674,393
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	31,163,505	30,439,991
Total Capital Assets	<u>31,717,099</u>	<u>31,114,384</u>
Total Noncurrent Assets	<u>31,717,591</u>	<u>31,114,876</u>
Total Assets	41,069,270	40,575,216
<u>Deferred Outflows of Resources</u>		
Deferred Amount on Refunding of Debt	431,966	478,833
Total Assets and Deferred Outflows of Resources	<u>\$ 41,501,236</u>	<u>\$ 41,054,049</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET (CONTINUED)

AS OF DECEMBER 31, 2020

(With Comparative Totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 124,140	\$ 142,466
Accrued Payables	55,999	45,199
Construction Payable	83,406	-
Due to Other Governments	64,362	65,770
Accumulated Unpaid Vacation	22,268	19,913
Customer Deposits	1,446,283	1,351,145
Bond Anticipation Note Payable	542,977	5,533,869
Bonds Payable - Current Portion	1,958,000	1,554,000
Accrued Interest on Bonds Payable	115,534	126,137
	<hr/>	<hr/>
Total Current Liabilities	4,412,969	8,838,499
Noncurrent Liabilities:		
Bonds Payable	13,457,000	10,114,000
Accumulated Unpaid Vacation	66,802	59,740
	<hr/>	<hr/>
Total Long-Term Liabilities	13,523,802	10,173,740
	<hr/>	<hr/>
Total Liabilities	17,936,771	19,012,239
<u>Net Position</u>		
Net Investment in Capital Assets	16,191,088	14,391,348
Restricted for:		
Capital Projects and Debt Service	4,585,737	4,616,464
Unrestricted	2,787,640	3,033,998
	<hr/>	<hr/>
Total Net Position	23,564,465	22,041,810
	<hr/>	<hr/>
Total Liabilities and Net Position	\$ 41,501,236	\$ 41,054,049
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The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Water Sales	\$ 6,408,184	\$ 5,943,869
Water Tap Fees	317,205	301,415
Service Charges	105,105	96,088
Penalty Charges	49,219	122,674
Sewer Billing Fees	134,459	132,341
Other	175,479	162,774
Total Operating Revenues	<u>7,189,651</u>	<u>6,759,161</u>
Operating Expenses:		
Personal Services and Benefits	2,056,253	2,040,155
Bad Debts	13,668	11,603
Bank Fees	194,892	183,738
Contractual Services	418,956	374,093
Depreciation	1,260,181	1,261,028
Insurance	147,886	149,556
Office Expense	230,962	186,770
Repairs and Maintenance	576,846	283,721
Supplies	168,274	121,973
Utilities	355,326	340,268
Vehicle Expense	84,844	82,535
Total Operating Expenses	<u>5,508,088</u>	<u>5,035,440</u>
Operating Income	1,681,563	1,723,721
Nonoperating Revenues (Expenses):		
Interest Income	38,165	77,408
Interest Expense	(511,553)	(556,321)
Other Income	314,480	195,810
Total Nonoperating Revenues (Expenses)	<u>(158,908)</u>	<u>(283,103)</u>
Change in Net Position	1,522,655	1,440,618
Net Position - Beginning of Year	<u>22,041,810</u>	<u>20,601,192</u>
Net Position - End of Year	<u>\$ 23,564,465</u>	<u>\$ 22,041,810</u>

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 7,091,555	\$ 6,632,236
Cash Payments to Suppliers for Goods and Services	(2,231,655)	(2,153,306)
Cash Payments to Employees for Services and Benefits	(2,036,036)	(1,994,213)
Other Receipts (Payments)	314,480	195,810
Net Cash Provided by Operating Activities	<u>3,138,344</u>	<u>2,680,527</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,779,490)	(657,431)
Interest Expense Paid on Bonds	(475,289)	(515,661)
Proceeds from Issuance of Debt	654,108	273,546
Principal Repayment on Debt	(1,898,000)	(1,841,000)
Net Receipts from Customer Deposits	95,138	84,520
Net Cash Used in Capital and Related Financing Activities	<u>(3,403,533)</u>	<u>(2,656,026)</u>
Cash Flows from Investing Activities:		
Interest Income Received	38,165	77,408
Net Cash Provided by Investing Activities	<u>38,165</u>	<u>77,408</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(227,024)</u>	<u>101,909</u>
Cash and Cash Equivalents, Beginning of Year	<u>7,849,719</u>	<u>7,747,810</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,622,695</u></u>	<u><u>\$ 7,849,719</u></u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,681,563	\$ 1,723,721
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,260,181	1,261,028
Provision for Bad Debt	13,668	11,603
Miscellaneous Revenues less Expenses	314,480	195,810
(Increase) Decrease in Accounts Receivable	86,070	(128,014)
(Increase) Decrease in Unbilled Receivable	(193,864)	25,621
(Increase) Decrease in Other Receivable	659	(4,015)
(Increase) Decrease in Due from Other Governments	9,039	(20,517)
(Increase) Decrease in Inventory	(394)	3,584
(Increase) Decrease in Prepaid Insurance	(33,541)	34,429
Increase (Decrease) in Accounts Payable	(18,326)	(459,530)
Increase (Decrease) in Compensated Absences	9,417	34,692
Increase (Decrease) in Accrued Expenses	10,800	11,250
Increase (Decrease) in Due to Other Governments	(1,408)	(9,135)
Net Cash Provided by Operating Activities	\$ 3,138,344	\$ 2,680,527
Schedule of Noncash Capital and Related Financing Activities:		
Amortization of Advanced Refunding Difference	\$ 46,867	\$ 50,936
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents, Unrestricted	\$ 2,180,292	\$ 2,470,010
Cash and Cash Equivalents, Restricted	5,442,403	5,379,709
Total Cash and Cash Equivalents	\$ 7,622,695	\$ 7,849,719

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(1) **Organization, Nature of Operations, and Summary of Significant Accounting Policies -**

A. Organization and Nature of Operations

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana was created by the Livingston Parish Council on August 23, 1975, pursuant to the provisions of R.S. 33:3811, et.seq., of the Louisiana Revised Statutes of 1950.

The District is located in rural Livingston Parish, Louisiana. The purpose of the District is to provide water to customers within the boundaries of the District. The District is composed of five board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves approximately one third of Livingston Parish. The areas of service are in the western portion of the parish, north of Florida Boulevard and a small area south of Florida Boulevard between Denham Springs and Walker. The District has thirty-five full time employees. As of December 31, 2020 there were 22,583 metered customers, representing an increase in customers of 780 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

B. Financial Reporting Entity

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council.

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

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

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

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements establish standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

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

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

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

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

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

D. Deposits and Investments

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

E. Inventories

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

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2020.

G. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, including receivables reported as due from other government, are classified as restricted assets because their use is limited by applicable bond covenants or to ongoing construction projects funded by the bonds. In addition, certain resources are set aside to reimburse customers their utility deposits upon discontinuance of service.

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

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

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

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

J. Accumulated Unpaid Vacation and Sick Pay

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. At termination or retirement only unused vacation time can be paid to the employee. As a result, only the amount of unused vacation time is accrued in the District's basic financial statements.

GASB Statement Number 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In accordance with GASB-16, Accounting for Compensated Absences, no liability has been accrued for unused employee sick leave.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

K. Long-Term Obligations

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

L. Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

M. Summary Financial Information for 2019

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

N. Current Year Adoption of New Accounting Standards

The District adopted the following recently issued GASB Standards in the preparation of the accompanying financial statement of the business-type activities.

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The adoption of this standard had no impact on the basic financial statements of the business-type activities of the District.

In March 2018, the Governmental Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placement. The adoption of this standard had no impact on the financial statements of business-type activities of the District, but provides for additional disclosures in the debt note to the basic financial statements.

During the year, the District adopted GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Previously, interest cost incurred before the end of a construction period was capitalized and included as part of the historical cost of the capital asset. The requirements of this Standard are being applied prospectively. For 2020, interest cost incurred on debt before the end of the construction period is being recognized as expense as incurred.

O. COVID-19 Pandemic

The COVID-19 outbreak in the United States and globally has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon the District's financial condition and future results of operations, as well as upon the significant estimates and assumptions that may be utilized in reporting certain assets and liabilities.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(2) Cash and Cash Equivalents -

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

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments at December 31, 2020:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 1,000	\$ -
Demand Deposits and Savings Accounts	3,106,030	3,620,096
Restricted Cash Held in Bank Trust Accounts	<u>4,515,665</u>	<u>4,515,665</u>
	<u>\$7,622,695</u>	<u>\$8,135,761</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2020, none of the District's bank balance of \$8,136,761 was exposed to custodial credit risk.

(3) Receivables -

The following is a summary of receivables at December 31, 2020:

Accounts Receivable:	
Current	\$ 473,929
31-60 Days Past Due	34,171
Over 60 Days Past Due	<u>62,247</u>
Subtotal	570,347
Less: Allowance for Uncollectible Accounts	<u>(62,247)</u>
Net Accounts Receivable	<u>\$ 508,100</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for uncollectible accounts is adjusted to a reasonable estimate of collectability. Bad debt expense totaled \$13,668 for the year ended December 31, 2020.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the year. At December 31, 2020, accrued amounts were \$409,018.

(4) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2020 is as follows:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
Capital Assets not being Depreciated:				
Land	\$ 553,594	\$ -	\$ -	\$ 553,594
Construction in Progress	120,799	1,581,981	(1,702,780)	-
Total Capital Assets not being Depreciated	674,393	1,581,981	(1,702,780)	553,594
Capital Assets being Depreciated:				
Buildings and Improvements	974,108	-	-	974,108
Equipment	1,315,692	-	-	1,315,692
Furniture and Fixtures	41,565	-	-	41,565
Vehicles	497,079	57,985	-	555,064
Utility System	46,107,198	1,925,710	-	48,032,908
Total Capital Assets being Depreciated	48,935,642	1,983,695	-	50,919,337
Less Accumulated Depreciation for:				
Buildings and Improvements	290,712	27,900	-	318,612
Equipment	1,139,789	44,248	-	1,184,037
Furniture and Fixtures	34,236	2,037	-	36,273
Vehicles	407,558	41,562	-	449,120
Utility System	16,623,356	1,144,434	-	17,767,790
Total Accumulated Depreciation	18,495,651	1,260,181	-	19,755,832
Total Capital Assets being Depreciated, Net	30,439,991	723,514	-	31,163,505
Total Capital Assets, Net	\$ 31,114,384	\$2,305,495	\$(1,702,780)	\$ 31,717,099

Depreciation expense for the year ended December 31, 2020 was \$1,260,181.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(5) Short-Term Debt -

On April 21, 2009, the District adopted a resolution granting preliminary authorization to proceed with the issuance of not exceeding Twenty Million and no/100 dollars (\$20,000,000) in aggregate amount of water revenue bonds. Based on the cost analysis provided by the District's consulting engineer, the Board determined that the Bonds should be issued in an amount not to exceed Twelve Million and no/100 Dollars (\$12,000,000) and that the placement of the bonds under the Program with the Louisiana Department of Health and Hospitals (DHH) was the most cost-effective financing option for the District. On July 26, 2010, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, the maximum sum of Four Million Dollars (\$4,000,000). Construction was finalized during 2012 and the loan was converted to a bond payable and is referred to as Waterworks Revenue Bonds, Series 2010A issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year.

On June 1, 2011, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, an additional maximum sum of Eight Million Dollars (\$8,000,000). Construction was finalized during 2020 and the loan was converted to a bond payable and is referred to as Water Revenue Bonds, Series 2011 issued at 3.45% per annum (interest at 2.95% and a LDH Administrative Fee of 0.50%) with installments on interest due on October 1 and April 1 each year, with principal installments due on April of each year. In the Loan and Pledge Agreement under section 3.02, it states that upon the payment of each principal draw on the loan, and without any further action on the part of the DHH or the District, thirty percent (30%) of the principal amount of each such draw on the loan shall immediately and irrevocably be deemed to be forgiven by the DHH, up to a maximum amount of principal forgiveness of \$1,125,000, and no interest shall accrue on the principal amount that is so forgiven. During 2013, the District met the maximum amount of principal forgiveness.

On June 4, 2020, the District entered into a loan agreement with the Louisiana Department of Health (LDH) to borrow funds available in the Drinking Water Revolving Loan Fund up to the maximum sum of \$3,000,000. The funds will be used to finance improvements to the District's drinking water system. Once construction is finalized, the loan will be converted to a bond payable and referred to as Taxable Water Revenue Bonds, Series 2020 issued at 2.45% per annum (interest at 1.95% and a LDH Administrative Fee of 0.50%) maturing in 2042. The final bond payment schedule will be revised by LDH after final payment of the bonds to the District.

For the year ended December 31, 2020, the Series 2020 project is not complete, with total bond proceeds received reported as Bond Anticipation Note Payable with a balance of \$542,977.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(6) Long-Term Debt -

The following is a summary of long-term obligation transactions for the year ended December 31, 2020:

	Balance			Balance		Due Within
Direct Placement Borrowings	December 31, 2019	Additions	Deletions	December 31, 2020		One Year
Long-Term Debt						
2010A DHH Bonds	\$ 2,533,000	\$ -	\$ (204,000)	\$ 2,329,000	\$ 209,000	
2011 Water Revenue Bonds	-	5,645,000	(344,000)	5,301,000	364,000	
2012A Revenue Bonds	1,785,000	-	(580,000)	1,205,000	595,000	
2012B Revenue Bonds	2,695,000	-	(355,000)	2,340,000	365,000	
2012D Revenue Bonds	4,655,000	-	(415,000)	4,240,000	425,000	
Total Long-Term Debt	\$ 11,668,000	\$ 5,645,000	\$ (1,898,000)	\$ 15,415,000	\$ 1,958,000	

2010 Waterworks System Revenue Bonds:

The \$4,000,000 bonds were issued on July 26, 2010, and are due to the Louisiana Department of Health and Hospitals with semi-annual payment installments including principal, interest at 2.95% and a DEQ .5% administrative fee through April 1, 2030. The bonds were issued through the Louisiana Department of Health and Hospitals through the Drinking Water Revolving Loan Fund to fund the waterworks expansion project. The debt service requirements to maturity for the 2010 Waterworks System Revenue Bonds are as follows:

Year	Principal	Interest	Administrative Fee	Total
2021	\$ 209,000	\$ 65,593	\$ 11,122	\$ 285,715
2022	214,000	59,354	10,065	283,419
2023	219,000	52,967	8,983	280,950
2024	224,000	46,433	7,875	278,308
2025	229,000	39,751	6,740	275,491
2026 to 2030	1,234,000	92,674	15,708	1,342,382
	<u>\$2,329,000</u>	<u>\$ 356,772</u>	<u>\$ 60,493</u>	<u>\$2,746,265</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

2011 Water Revenue Bonds:

The \$8,000,000 bonds were issued on June 1, 2011, and are due to the Louisiana Department of Health and Hospitals with semi-annual payment installments including principal, interest at 2.95% and a DEQ .5% administrative fee through April 1, 2032. The bonds were issued through the Louisiana Department of Health and Hospitals through the Drinking Water Revolving Loan Fund to fund the waterworks expansion project. The debt service requirements to maturity for the 2011 Water Revenue Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2021	\$ 364,000	\$ 151,010	\$ 25,595	\$ 540,605
2022	377,000	140,081	23,743	540,824
2023	390,000	128,767	21,825	540,592
2024	403,000	117,071	19,843	539,914
2025	417,000	104,976	17,792	539,768
2026 to 2030	2,310,000	328,394	55,660	2,694,054
2031 to 2032	1,040,000	30,945	5,245	1,076,190
	<u>\$5,301,000</u>	<u>\$1,001,244</u>	<u>\$ 169,703</u>	<u>\$6,471,947</u>

2012A, 2012B, and 2012C Water Revenue Refunding Bonds:

On June 29, 2012, the District issued \$5,355,000 Series 2012A, \$4,540,000 Series 2012B, and \$470,000 Series 2012C Water Revenue Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2000 DEQ Revenue bonds and the Series 2005 DHH bonds, interest and administrative fees. The District refunded the Series 2000 and Series 2005 bonds to decrease total debt service payments over the next 14 years by \$728,956 and to obtain an economic gain of \$628,526.

The Series 2012A bonds have semi-annual payment installments including principal and interest at 2.285% through April 1, 2022. The Series 2012B bonds have semi-annual payment installments including principal and interest at 2.563% through April 1, 2026. The Series 2012C bonds had semi-annual payment installments including principal and interest at 2.75% through April 1, 2014.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

The debt service requirements to maturity for these Water Revenue Refunding Bonds are as follows:

Series 2012A Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 595,000	\$ 20,736	\$ 615,736
2022	610,000	6,969	616,969
	<u>\$1,205,000</u>	<u>\$ 27,705</u>	<u>\$ 1,232,705</u>

Series 2012B Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 365,000	\$ 55,297	\$ 420,297
2022	375,000	45,814	420,814
2023	385,000	36,074	421,074
2024	395,000	26,078	421,078
2025	405,000	15,826	420,826
2026	415,000	5,318	420,318
	<u>\$2,340,000</u>	<u>\$ 184,407</u>	<u>\$ 2,524,407</u>

2012D Water Revenue Refunding Bonds:

On June 29, 2012, the District issued \$6,725,000 Series 2012D Water Revenue Refunding Bonds for the purpose of refunding \$5,915,000 of the outstanding balance of the Series 2004 Waterworks System Revenue Parity Bonds and interest and redemption premium associated with the Series 2004 Bonds.

The Series 2012D bonds have semi-annual payment installments including principal and interest at 2.585% through April 1, 2029. The debt service requirements to maturity for the Series 2012D bonds are as follows:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

Series 2012D Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 425,000	\$ 104,111	\$ 529,111
2022	435,000	92,995	527,995
2023	450,000	81,557	531,557
2024	455,000	69,859	524,859
2025	470,000	57,904	527,904
2026 to 2030	2,005,000	105,403	2,110,403
	<u>\$4,240,000</u>	<u>\$ 511,829</u>	<u>\$ 4,751,829</u>

The advance refunding of the Series 2004 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$710,232 which was deferred and is being amortized over the life of the new bonds. The difference is reported in the accompanying financial statements as a deferred outflow of resources and is being charged to operations as a component of interest expense. The District refunded the Series 2004 bonds to decrease total debt service payments over the next 17 years by \$585,966 and to obtain an economic gain of \$480,303.

Debt Service Requirements to Maturity:

The annual requirements to amortize all long-term debt outstanding as of December 31, 2020 including expected interest payments of \$2,081,957 and administration fees of \$230,196 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Administratio n Fee</u>	<u>Total</u>
2021	\$ 1,958,000	\$ 396,747	\$ 36,717	\$ 2,391,464
2022	2,011,000	345,213	33,808	2,390,021
2023	1,444,000	299,365	30,808	1,774,173
2024	1,477,000	259,441	27,718	1,764,159
2025	1,521,000	218,457	24,532	1,763,989
2026 to 2030	5,964,000	531,789	71,368	6,567,157
2031 to 2032	1,040,000	30,945	5,245	1,076,190
	<u>\$15,415,000</u>	<u>\$2,081,957</u>	<u>\$ 230,196</u>	<u>\$17,727,153</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(7) Deferred Outflows of Resources -

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* provide guidance on reporting the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refundings resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At December 31, 2020, the District had a deferred amount on refunding of debt of \$431,966 which is comprised of \$431,966 for the 2012 advanced refunding of debt.

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

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2020. As of December 31, 2020, debt covenants relate to existing parity bonds, consisting of the 2010 Waterworks System Revenue Bonds, the Series 2011 Water Revenue Bonds, the Series 2020 Water Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds. The District’s compliance with bond covenants as of December 31, 2020, related to required deposits, is detailed below and is followed first by a narrative description of the related bond deposit requirements, and secondly by a description of compliance to bond rate covenants, referenced as “Bond Debt Coverage Ratio”, requiring that revenues of the District be sufficient to cover the operating and maintenance and debt service requirements of the outstanding bonds.

	Sinking Fund	Reserve Fund	Renewal and Replacement Fund	Total
Required Balance	\$ 1,448,077	\$ 2,433,221	\$ 500,000	\$4,381,298
Current Reserved Amount	1,552,815	2,436,378	526,472	4,515,665
Amount Over (Under) Funded	\$ 104,738	\$ 3,157	\$ 26,472	\$ 134,367

Sinking Fund Requirements

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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

obligations, including the 2010 Waterworks System Revenue Bonds, the 2011 Water Revenue Bonds, the Series 2020 Water Revenue Bonds, and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds.

At December 31, 2020, the District Sinking Fund bond deposits requirements were over funded by \$104,738 for the 2010, 2011, 2020, 2012A, 2012B, and 2012D bond issues. The District made the required installments for the year ended December 31, 2020.

Bond Reserve Fund

Bond Reserve Fund covenants require the maintenance of a separately identifiable account designated as the "Reserve Fund" into which is to be deposited monthly, on or before the 20th day of each month of each year, a sum at least equal to 25 percent of the amount required to be paid into the Sinking Fund for each month with respect to the Bonds, until such time as there has been accumulated therein a sum equal to the highest amount of principal and interest due in any given year on the Bonds (the "Reserve Fund Requirement"), 2010 Waterworks System Revenue Bonds, the 2011 Water Revenue Bonds, 2020 Water Revenue Bonds, and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds and any additional Parity Obligations hereafter issued. The 2012 Water Revenue Refunding Bonds were issued in parity with existing bond obligations and bond covenants specify that the payments to the Reserve Fund shall be increased or otherwise adjusted to the amounts as will assure that there will be accumulated in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of such additional parity obligations an amount of money equal to the Reserve

Fund Requirement. The District chose to increase monthly payments over 5 years to fund the increased installment requirements for the 2012 Water Revenue Refunding bonds. At December 31, 2020, the District maintained a balance of \$2,436,378 which was \$3,157 more than the bond deposit requirements at year end. Bond covenants require that the monies in the Reserve Fund be retained solely for the purpose of paying the principal of and interest on the Bonds payable as to which there would otherwise be default.

Renewal and Replacement Fund

The Renewal and Replacement Fund is established pursuant to the 2004 Bond Resolution, and is restated in 2012 Water Revenue Refunding bonds' Revenue Bond Resolution to apply to any subsequent Outstanding Parity Bonds. The Fund is established to pay for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from the Revenue Fund to the Renewal and Replacement Fund monthly on or before the twentieth day of each month of each year, a sum equal to five percent of the Gross Revenues of the System for the preceding month, provided that such sum is available after provisions are made for the payments required. Such payments to the Renewal and Replacement Fund shall continue until such time as there has been accumulated in said Fund the sum of \$500,000 (the "Renewal and Replacement Fund Requirement"), whereupon such payments may cease and need be resumed thereafter only if the total

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

amount of money on deposit in said fund is reduced below the Renewal and Replacement Fund Requirement, in which event such payments shall be resumed and continue until said Renewal and Replacement is again accumulated.

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

For the year ended December 31, 2020, the Renewal and Replacement Fund was fully funded with a balance of \$526,472.

Bond Debt Coverage Ratio -

Bond covenants of the outstanding parity obligations require the District to fix, establish, levy and collect, so long as any principal and interest is unpaid on the Bonds and any Parity Obligations, such rates, fees, rents, or other charges for services and facilities of the System and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to pay operations and maintenance expenses in each fiscal year and provide net revenues in each fiscal year in an amount equal to at least one hundred twenty-five percent of the required deposits to the Sinking Fund established in the Series 2010 Bond Resolution, Series 2011 Water Revenue Bonds Resolution, Series 2020 Water Revenue Bonds Resolution, Series 2012 Bond Resolution and any resolution relating to additional Parity Obligations. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes.

The calculated bond debt coverage ratio for existing Parity Obligations, including Series 2010 bonds, Series 2011 bonds, Series 2020 bonds and Series 2012 bonds exceeded the 125 percent ratio for the year ended December 31, 2020.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(9) Restricted and Designated Net Position -

At December 31, 2020, the District recorded \$4,585,737 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

(10) Risk Management -

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

(11) Litigation -

There is no outstanding litigation at December 31, 2020 for Ward Two Water District of Livingston Parish for which the District would expect an unfavorable outcome.

(12) Compensated Absences and Retirement Plan -

At December 31, 2020, the employees of the District have accumulated and vested \$89,070 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post employment benefits.

The District does not belong to a retirement system; however, the District contributes to the Social Security System as required by law. In September 2012, the District adopted a 457(b) deferred compensation plan and the District elected to match employee contributions up to a maximum of 5 percent. The District contributed \$50,500 into the 457(b) plan during 2020. Under the 457(b) plan, the District's contributions are vested based on an employee's years of service in accordance with the terms of the Adoption Agreement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(13) Compensation Paid to Board Members -

Compensation paid to the board members for 2020 were as follows:

<u>Name / Contact Number</u>	<u>Title</u>	<u>Address and Telephone</u>	<u>Compensation Received</u>
John Easterly (225) 665-9794	President	37917 Louisiana Highway 16 Denham Springs, LA 70706-0334	\$ 1,500
Shyrl Westmoreland (225) 664-2597	Vice-President	29709 Bickford Lane Denham Springs, LA 70726	1,500
Stanley Spillman (225) 665-2669	Secretary - Treasurer	P.O. Box 692 Watson, LA 70786-0692	1,400
Jimmie McCoy (225) 665-3596	Board Member	37375 Louisiana Highway 16 Denham Springs, LA 70706	1,300
Shevis Ball (225) 938-1775	Board Member	39765 Louisiana Highway 16 Denham Springs, LA 70706	1,200
			\$ 6,900

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

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

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by John Easterly, the District's Board President, who was the acting agency head for the year ended December 31, 2020:

Agency Head Name: John Easterly, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - health insurance	7,406
Benefits - retirement	-
Benefits - life insurance	34
Benefits - vision insurance	76
Per diem	1,500
Reimbursements	-
	\$ 9,016

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

(15) Current Accounting Pronouncements -

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

In May 2019, the Governmental Accounting Standards Board issued GASB Statement No 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

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

(16) Subsequent Events -

Issuance of Debt

On May 10, 2021, the District issued \$12,150,000 Series 2021 Water Revenue Refunding Bonds, with a reoffering premium of \$1,032,501, for the purpose of performing a current refunding of principal and interest of \$2,121,843 of the Series 2010 Water Revenue Bonds, \$4,943,624 of the Series 2011 Water Revenue Bonds, \$1,976,853 of the Series 2012B Water Revenue Refunding Bonds, and \$3,818,591 of the Series 2012D Water Revenue Refunding Bonds and paying \$321,590

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

in certain costs of issuance. The District refunded the bonds to decrease total debt service payments over the next 11 years by \$827,465 and to obtain an economic gain of \$788,666.

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 15, 2021, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Water Sales	\$ 6,060,000	\$ 6,190,000	\$ 6,408,184	\$ 218,184
Water Tap Fees	303,000	336,000	317,205	(18,795)
Service Charges	100,000	110,000	105,105	(4,895)
Penalty Charges	132,000	55,000	49,219	(5,781)
Sewer Billing Fees	164,000	164,000	134,459	(29,541)
Other	164,000	179,000	175,479	(3,521)
Total Operating Revenues	6,923,000	7,034,000	7,189,651	155,651
Operating Expenses:				
Personal Services and Benefits:				
Salaries and Wages	1,420,000	1,360,000	1,439,803	(79,803)
Director's Fees	6,000	6,400	6,900	(500)
Employee Benefits and Payroll Taxes	625,000	618,000	609,550	8,450
	2,051,000	1,984,400	2,056,253	(71,853)
Bad Debts	10,000	10,000	13,668	(3,668)
Bank Card Charges and Fees	185,000	202,000	194,892	7,108
Contractual Services:				
Meter Reading	230,000	238,000	237,807	193
Professional Fees	200,000	138,000	142,149	(4,149)
Telemetry	42,000	40,000	39,000	1,000
	472,000	416,000	418,956	(2,956)
Depreciation	1,290,000	1,290,000	1,260,181	29,819
Insurance	145,000	158,000	147,886	10,114
Office Expense:				
Advertising	3,000	9,000	7,933	1,067
Computer and Printer Supplies	65,000	70,000	87,107	(17,107)
Miscellaneous	26,500	23,500	19,924	3,576
Postage	110,000	120,000	115,998	4,002
	204,500	222,500	230,962	(8,462)
Repairs and Maintenance	374,000	427,000	576,846	(149,846)
Supplies:				
Chlorination	62,000	70,000	68,814	1,186
Miscellaneous	35,000	25,000	59,877	(34,877)
Supplies	40,000	42,000	39,583	2,417
	137,000	137,000	168,274	(31,274)

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Expenses (Continued):				
Utilities:				
Utilities	325,000	342,000	319,359	22,641
Telephone	30,000	27,000	35,967	(8,967)
	<u>355,000</u>	<u>369,000</u>	<u>355,326</u>	<u>13,674</u>
Vehicle Expense	<u>95,000</u>	<u>94,000</u>	<u>84,844</u>	<u>9,156</u>
Total Operating Expenses	<u>5,318,500</u>	<u>5,309,900</u>	<u>5,508,088</u>	<u>(198,188)</u>
Operating Income	1,604,500	1,724,100	1,681,563	(42,537)
Nonoperating Revenues (Expenses):				
Interest Income	75,000	60,000	38,165	(21,835)
Interest Expense	(630,000)	(630,000)	(511,553)	118,447
Other Income	155,000	307,000	314,480	7,480
Total Nonoperating Revenues (Expenses)	<u>(400,000)</u>	<u>(263,000)</u>	<u>(158,908)</u>	<u>104,092</u>
Change in Net Position	1,204,500	1,461,100	1,522,655	61,555
Net Position - Beginning of Year	<u>22,041,810</u>	<u>22,041,810</u>	<u>22,041,810</u>	-
Net Position - End of Year	<u>\$ 23,246,310</u>	<u>\$ 23,502,910</u>	<u>\$ 23,564,465</u>	<u>\$ 61,555</u>

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2020

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Allied World Specialty Ins Co Policy Number 5105-1993-02	Commercial Package Policy: Property and Inland Marine Coverage Real and Personal Property Blanket Limit Coverage Extension Blanket Limit Mobile Equipment (Scheduled - Per SOV On File with Company Mobile Equipment (Borrowed, Rented & Leased) Policy Deductible Mobile Equipment Deductible Equipment Breakdown Deductible General Liability Bodily Injury and Property Damage Per Occurrence Aggregate Personal Injury and Advertising Injury Per Person or Organization Damage to Premises Rented Any One Premises Wrongful Acts - Coverage A Each Claim All Coverages Aggregate Limit Deductible per wrongful act Employee Benefits Plans - Coverage A Deductible per wrongful act Employee Practices Liability - Coverage A Each Claim All Coverages Aggregate Limit Each Claim Injunctive Relief - Coverage B Each Action for Injunctive Relief Aggregate for Coverage B All Coverages Aggregate Limit In the Aggregate for all Claims, All Wrongful Acts and Offenses, and all Actions for Injunctive Relief, under Coverage A & B Crime Coverage Employee Theft (\$1,000 Deductible) Forgery and Alteration (\$1,000 Deductible)	\$ 11,391,436 2,000,000 573,281 100,000 2,500 1,000 2,500 1,000,000 3,000,000 1,000,000 1,000,000 1,000,000 1,000 1,000,000 3,000,000 1,000 1,000,000 3,000,000 1,000 1,000,000 3,000,000 5,000 5,000 3,000,000 1,000,000 250,000	10/31/2020 to 10/31/2021

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

Insurance Company / Policy Number	Coverage	Amount	Policy Period
	Theft Disappearance and Destruction		
	Inside (\$1,000 Deductible)	250,000	
	Outside (\$1,000 Deductible)	250,000	
	Robbery/Safe Burglary		
	Inside the Premises (\$1,000 Deductible)	5,000	
	Computer Fraud (\$1,000 Deductible)	100,000	
	Funds Transfer Fraud (\$1,000 Deductible)	100,000	
	Money Orders (\$1,000 Deductible)	100,000	
	Privacy & Network Security Wrongful Acts	1,000,000	
	Per Act (\$1,000 Deductible)		
	Breach Consultation Services	1,000,000	
	Per Act (\$1,000 Deductible)		
	Breach Response Services	1,000,000	
	Per Act (\$1,000 Deductible)		
	Public Relations & Data Forensics	1,000,000	
Allied World Specialty Ins Co (Continued)			
Policy Number	Automobile Coverage		10/31/2020 to
5106-1993-02	Physical Damage	Per Schedule	10/31/2021
		on File	
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
Allied World Specialty Ins Co	Excess Insurance Coverage		10/31/2020 to
Policy Number	Any One Occurrence Limit	4,000,000	10/31/2021
5107-1993-02	Annual Aggregate Limit	4,000,000	
Louisiana Workers Compensation Corporation	Workers Compensation Insurance		10/31/2020 to
Policy Number 77205-S	State of Louisiana Coverage Only		10/31/2021
	Employers Liability Insurance		
	Bodily Injury by Accident - Each Accident	1,000,000	
	Bodily Injury by Disease - Policy Limit	1,000,000	
	Bodily Injury by Disease - Each Employee	1,000,000	
Wright National Flood Insurance Company	Flood Insurance		6/13/2020 to
Policy Number 17115182658100	State of Louisiana Coverage Only		6/13/2021
	Property Insurance		
	Building (\$2,000 Deductible)	500,000	
	Contents (\$2,000 Deductible)	400,000	

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF WATER RATES, TAP FEES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fees	Tap Fees	
		Inch Tap	Fee
First 2,000 Gallons	\$ 13.50	3/4" Tap	\$ 385
Per Next 1,000 Gallons of Water up to 3,000 Gallons	2.52	1" Tap	\$ 560
Per Next 1,000 Gallons of Water up to 5,000 Gallons	2.12	1 1/2" Tap	\$ 650
Per Next 1,000 Gallons of Water over 10,000 Gallons	1.37	2" Tap	\$ 700
		Tap Greater Than 2"	\$ 2,000
Customers			
Residential	21,143		
Nonresidential	1,440		
Total Customers	<u>22,583</u>		

See independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF THE COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 15, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 is 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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 15, 2021

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes x No
- Significant deficiencies identified? Yes x No

Noncompliance material to financial statements noted? Yes x No

B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

None

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2020

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None