

Varnado Waterworks District  
Washington Parish Council  
Varnado, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2020  
With Supplemental Information Schedules  
(with 2019 summarized comparative information)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Varnado Waterworks District  
Washington Parish Council  
Varnado, LA

I have audited the accompanying financial statements of the business-type activities of the Varnado Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of the business-type activities, of the Varnado Waterworks District, as of December 31, 2020, and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 and page 35 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Varnado Waterworks District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and was 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 by us and other auditors. In my opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of compensation, benefits, and other payments to the agency heads are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance, schedule of compensation paid to the Board of Commissioners, and schedule of water rates and number of water customers is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Governmental Auditing Standards*, I have also issued my report dated June 26, 2021, on my consideration of the Varnado Waterworks District's internal control over financial reporting and on my testes of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Varnado Waterworks District's internal control over financial reporting and compliance.

*Minda Raybourn*

Franklinton, LA

June 26, 2021

Required Supplemental Information  
Management's Discussion and Analysis

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2020 (with 2019 summarized comparative information)

#### Introduction

The Varnado Waterworks District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards as more fully described in the financial statement footnotes as *Footnote 1 - Summary of Significant Accounting Policies – Section A “Measurement Focus and Basis of Accounting and Financial Statement Presentation.”*

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 were \$6,394,419 and exceeded liabilities in the amount of \$3,256,224 (i.e., net position). Of the total net position, \$1,066,578 was unrestricted and available to support short-term operations, with a \$2,086,488 balance invested in capital assets, net of related debt and \$103,158 in restricted net position for customer deposit activity and debt service.

For the year ended December 31, 2020, user fee revenues (water sales) increased to \$854,643 compared to \$830,040 for the fiscal year ending December 31, 2019.

The District's operating expenses, other than depreciation expense, increased by approximately 18 percent or \$137,203 from the prior fiscal year. The increase was attributable to an increase in salaries (increase of \$74,194), increase in insurance (increase of \$25,404), and an increase of employee benefits (\$10,852).

Total long-term debt decreased by principal payments and refunding of debt of \$69,000. Interest payments of \$91,251 were made. Total long-term debt was \$2,979,880 at December 31, 2020, and \$3,046,799 at December 31, 2019.

## **Varnado Waterworks District**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2020 (with 2019 summarized comparative information)**

#### **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 Varnado Waterworks District'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 Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position, account for the revenues and expenses for the fiscal year and provide 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 Varnado Waterworks District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, is presented below in a condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

**Varnado Waterworks District**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2020  
(with 2019 summarized comparative information)**

**Condensed Statements of Net Position  
2020 and 2019**

|  | <u>2020</u>         | <u>2019</u>         | <u>Dollar<br/>Change</u> | <u>Percentage<br/>Change</u> |
|--|---------------------|---------------------|--------------------------|------------------------------|
| Assets:  |                     |                     |                          |                              |
| Current and Other Assets                         | \$ 1,328,051        | \$ 1,193,056        | \$ 134,996               | 11%                          |
| Capital Assets                                   | <u>5,066,368</u>    | <u>5,149,146</u>    | <u>(82,778)</u>          | -2%                          |
| Total Assets                                     | <u>6,394,419</u>    | <u>6,342,202</u>    | <u>52,218</u>            | 1%                           |
| Liabilities:                                     |                     |                     |                          |                              |
| Long-Term Debt Outstanding                       | 2,898,880           | 2,977,799           | (78,919)                 | -3%                          |
| Other Liabilities                                | <u>239,316</u>      | <u>216,976</u>      | <u>22,339</u>            | 10%                          |
| Total Liabilities                                | <u>3,138,196</u>    | <u>3,194,775</u>    | <u>(56,580)</u>          | -2%                          |
| Net Position:                                    |                     |                     |                          |                              |
| Investment in Capital Assets                     | 2,086,488           | 2,102,347           | (15,859)                 | -1%                          |
| Restricted for Capital Activity and Debt Service | 103,158             | 81,294              | 21,864                   | 27%                          |
| Unrestricted                                     | <u>1,066,578</u>    | <u>963,785</u>      | <u>102,792</u>           | 11%                          |
| Total Net Position                               | <u>\$ 3,256,224</u> | <u>\$ 3,147,426</u> | <u>\$ 108,797</u>        | 3%                           |

“Current and Other Assets” increased by \$134,996 or 11 percent, resulting primarily from a \$86,247 increase in cash and cash equivalents and investments and a \$14,582 increase in intergovernmental receivables.

Capital Assets decreased by approximately 2 percent or \$82,778 as a result of the acquisition of new equipment, improvements, and engineering costs on the Mitch Road well construction offset by depreciation expense.

Total Long-Term Debt decreased \$69,000 due to principal payments that occurred during the fiscal year.

Other Liabilities increased 10 percent or \$22,339 primarily due to an increase in customer deposits of \$7,535 and an increase of \$12,000 in the current portion of the revenue bonds payable.

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2020 (with 2019 summarized comparative information)

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position 2020 and 2019

|                         | Year ended<br>December 31,<br>2020 | Year ended<br>December 31,<br>2019 | Dollar<br>Change  | Percentage<br>Change |
|-------------------------|------------------------------------|------------------------------------|-------------------|----------------------|
| Revenues:               |                                    |                                    |                   |                      |
| Operating Revenues      | \$ 1,182,620                       | \$ 1,080,089                       | \$ 102,531        | 9%                   |
| Nonoperating Revenues   | 142,985                            | 43,934                             | 99,051            | 225%                 |
| Total Revenues          | <u>1,325,604</u>                   | <u>1,124,022</u>                   | <u>201,582</u>    | 18%                  |
| Expenses:               |                                    |                                    |                   |                      |
| Amortization Expense    | 2,082                              | -                                  | 2,082             | 100%                 |
| Depreciation Expense    | 231,483                            | 240,339                            | (8,856)           | -4%                  |
| Other Operating Expense | 891,991                            | 754,787                            | 137,203           | 18%                  |
| Nonoperating Expense    | 91,251                             | 214,850                            | (123,598)         | -58%                 |
| Total Expenses          | <u>1,216,807</u>                   | <u>1,209,976</u>                   | <u>6,831</u>      | 1%                   |
| Changes in Net Position | <u>108,798</u>                     | <u>(85,954)</u>                    | <u>194,751</u>    | -227%                |
| Beginning Net Position  | <u>3,147,426</u>                   | <u>3,233,380</u>                   | <u>(85,954)</u>   | -3%                  |
| Ending Net Position     | <u>\$ 3,256,224</u>                | <u>\$ 3,147,426</u>                | <u>\$ 108,798</u> | 3%                   |

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Varnado Waterworks District is being conservatively managed.

Total operating revenues (including water sales and revenues related to providing water and related services to customers) increased by 9 percent or \$102,531. Water sales increased by \$24,603. Billing fees from Bogue Lusa Waterworks District and Washington Parish Gas District Number One increased \$76,575. This was due to the increase in contract labor fees to Bogue Lusa Waterworks District. Non-operating Revenues increased by \$99,051 due to the insurance recovery proceeds of \$115,658.

Total operating expenses, other than depreciation and amortization expense, increased by approximately 18 percent or \$137,203 from the prior fiscal year. The increase was attributable to an increase in salaries (increase of \$74,194), increase in insurance (increase of \$25,404), and an increase of employee benefits (\$10,852). This was due to bond issuance costs related to the bond refunding that occurred during the prior fiscal year.

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2020 (with 2019 summarized comparative information)

#### Budgetary Highlights

Varnado Waterworks District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service and current bond covenants. 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.

#### Budget vs. Actual - Fiscal Year ended December 31, 2020

|                         | <b>Budget Year<br/>ended<br/>December 31,<br/>2020</b> | <b>Actual Year<br/>ended<br/>December 31,<br/>2020</b> | <b>Favorable<br/>(Unfavorable)<br/>Variance</b> |
|-------------------------|--|--|---|
| Revenues:               |  |  |   |
| Operating Revenues      | \$ 1,180,550   | \$ 1,182,620   | \$ 2,070  |
| Nonoperating Revenues   | 130,950  | 142,985  | 12,035  |
| Total Revenues          | <u>1,311,500</u>                                       | <u>1,325,604</u>                                       | <u>14,104</u>                                   |
| Expenses:               |  |  |   |
| Amortization Expense    | -  | 2,082  | (2,082)   |
| Depreciation Expense    | 260,000  | 231,483  | 28,517  |
| Other Operating Expense | 900,888  | 891,991  | 8,897   |
| Nonoperating Expense    | 130,000  | 91,251   | 38,749  |
| Total Expenses          | <u>1,290,888</u>                                       | <u>1,216,807</u>                                       | <u>74,081</u>                                   |
| Changes in Net Position | <u>\$ 20,612</u>                                       | <u>\$ 108,798</u>                                      | <u>\$ 88,186</u>                                |

Significant variant of the budget to actual results includes the following:

1. Total actual revenues were slightly higher than budgeted revenues due to increases in water sales and billing fees to Bogue Lusa Waterworks.
2. Total actual expenses were lower than budgeted expenses due lower than expected depreciation expense (underbudget \$28,517) and lower than expected repairs and maintenance expenditures ( underbudget \$11,604).

**Varnado Waterworks District**

**Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2020  
(with 2019 summarized comparative information)**

**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**

|                 | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> | <u>Increase<br/>(Decrease)</u> |
|-----------------|------------------------------|------------------------------|--------------------------------|
| Customers       |                              |                              |                                |
| Residential     | 1,698                        | 1,702                        | (4)                            |
| Commercial      | 22                           | 22                           | -                              |
| Schools         | 6                            | 6                            | -                              |
| Prison          | 1                            | 1                            | -                              |
| Total Customers | <u>1,727</u>                 | <u>1,731</u>                 | <u>(4)</u>                     |

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

|                                      | <u>Year Ended<br/>December 31,<br/>2020</u> | <u>Year Ended<br/>December 31,<br/>2019</u> | <u>Increase<br/>(Decrease)</u> |
|--------------------------------------|---|---|--------------------------------|
| Accounts Receivable                  |   |   |                                |
| Current                              | \$ 71,966                                   | \$ 69,190                                   | \$ 2,776                       |
| 31-60 Days Past Due                  | 9,966                                       | 4,557                                       | 5,409                          |
| 61-90 Days Past Due                  | 3,691                                       | 1,827                                       | 1,864                          |
| Over 90 Days Past Due                | 2,043                                       | 1,940                                       | 103                            |
| Subtotal                             | <u>87,666</u>                               | <u>77,514</u>                               | <u>10,152</u>                  |
| Allowance for Uncollectible Accounts | <u>(8,226)</u>                              | <u>(4,847)</u>                              | <u>(3,379)</u>                 |
| Net Accounts Receivable              | \$ <u>79,440</u>                            | \$ <u>72,667</u>                            | \$ <u>6,773</u>                |

The above presentation is before consideration of accrued billings at fiscal year-end.

## Varnado Waterworks District

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2020 (with 2019 summarized comparative information)

#### Capital Assets and Debt Administration

##### Capital Assets

At the end of the fiscal year ending December 31, 2020, Varnado Waterworks District had \$5,066,367 (net of accumulated depreciation) recorded in capital assets. This includes the water systems and improvements, the office building and storage for the water system equipment, land, and other equipment used to operate the water system. The changes in capital assets are presented in the table below.

|                                | December 31,<br>2020 | December 31,<br>2019 | Increase<br>(Decrease) | Percentage<br>Change |
|--------------------------------|----------------------|----------------------|------------------------|----------------------|
| Capital Assets                 |                      |                      |                        |                      |
| Land                           | \$ 105,512           | \$ 105,512           | \$ -                   | 0%                   |
| Construction in Progress       | 105,532              | 74,093               | 31,439                 | 100%                 |
| Buildings                      | 151,180              | 151,180              | -                      | 0%                   |
| Equipment                      | 313,477              | 271,715              | 41,762                 | 15%                  |
| Vehicles                       | 153,170              | 113,953              | 39,217                 | 34%                  |
| Utility System                 | 9,639,203            | 9,632,538            | 6,665                  | 0%                   |
| Subtotal                       | 10,468,074           | 10,348,991           | 119,083                | 1%                   |
| Less: Accumulated Depreciation | (5,401,707)          | (5,199,845)          | (201,862)              | 4%                   |
| Net Capital Assets             | \$ 5,066,367         | \$ 5,149,146         | \$ (82,779)            | -2%                  |

Capital Assets decreased by approximately two percent or \$82,779 as a result of the following activity:

- 1) SCADA system for \$36,286
- 2) The old SCADA system was disposed with cost and accumulated depreciation at \$29,620 each and zero net book value.
- 3) A truck for \$35,417
- 4) New pumps for \$6,476
- 5) Transmission repair for \$3,800
- 6) Hwy 437 well repairs for \$15,814
- 7) Other equipment for \$19,473
- 8) Construction in progress related to the new well on Mitch Road for \$31,439, and
- 9) Current year depreciation of \$231,483

**Varnado Waterworks District**

**Management’s Discussion and Analysis  
As of and for the Year Ended December 31, 2020  
(with 2019 summarized comparative information)**

**Long-Term Obligations**

The primary source of long-term financing for Varnado Waterworks District has been revenue bonds financed by the United States Department of Agriculture (USDA). During 2011, the District obtained financing of \$462,000 (Series 2011 Refunding Bonds) from a private lender, and with funds provided by the District, paid \$522,045 to refund the USDA 1988 Series Bonds. Interest rates for long-term debt financed through USDA are 4.125%, and 4.2% for the Series 2011 Refunding Bonds. During the year ending December 31, 2020, the District issued \$2,920,000 in Water Refunding bonds, Series 2019 at a discount of \$56,202 with the purpose of refunding outstanding USDA bonds and paying the costs of issuance. The District refunded the outstanding \$551,945 Loan 07 and \$2,324,581 Loan 08 USDA water revenue bonds with the Series 2019 bond proceeds and an additional \$108,638 from a prior reserve fund. The interest rates for the long-term debt financed for the Series 2019 Water Refunding bonds ranges from 2% to 3%.

Bonds financed for Varnado Waterworks District include a specific requirement to maintain “Net Revenues” at 120 percent of the level required to fund annual debt service requirements. As noted in the last paragraph of *Footnote 8 – Flow of Funds, Restrictions on Use*, the District did meet the “Net Revenues” requirement. Total long-term debt for the current and prior fiscal year is as follows:

|                      | <u>December 31,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|----------------------|------------------------------------|------------------------------------|
| Total Long-Term Debt | \$ 2,979,880                       | \$ 3,046,799                       |

**Future Economic Plans**

The District continually evaluates the needs of its customers and considers projects that will improve the water supply and provide additional service to customers. The approach of the board is to maintain a rate structure that is reasonable but that provides for optimum operation of the District.

**Requests for Information**

The financial report is designed to provide an overview of Varnado Waterworks District’s finances and demonstrate the District’s accountability. If you have questions regarding this report or need additional information, contact the District at 26070 Highway 21, Angie, LA 70426. The phone number for the District is (985) 735-1669.

# Financial Statements

**Varnado Waterworks District**  
**Statement of Net Position**  
**As of December 31, 2020**  
**(With Comparative Totals as of December 31, 2019)**

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Current Assets:   |                     |                     |
| Cash and Cash Equivalents   | \$ 413,067          | \$ 548,638          |
| Investments   | 563,934             | 342,116             |
| Receivables, Net  |                     |                     |
| Accounts  | 93,310              | 86,144              |
| Intergovernmental   | 42,926              | 28,344              |
| Prepaid Insurance   | 9,418               | 11,817              |
| <b>Total Current Assets</b>                                       | <b>1,122,655</b>    | <b>1,017,059</b>    |
| Restricted Assets:  |                     |                     |
| Restricted Cash and Cash Equivalents                              | 205,396             | 175,997             |
| Restricted Investments  | -                   | -                   |
| <b>Total Restricted Assets</b>                                    | <b>205,396</b>      | <b>175,997</b>      |
| Property, Plant, and Equipment                                    |                     |                     |
| Land  | 105,512             | 105,512             |
| Construction in Progress  | 105,532             | 74,093              |
| Property, Plant and Equipment, Net                                | 4,855,324           | 4,969,541           |
| <b>Total Property, Plant, and Equipment</b>                       | <b>5,066,368</b>    | <b>5,149,146</b>    |
| <b>Total Assets</b>   | <b>6,394,419</b>    | <b>6,342,202</b>    |
| <b>Liabilities</b>  |                     |                     |
| Current Liabilities (Payable From Current Assets):                |                     |                     |
| Accounts Payable  | 20,182              | 25,056              |
| Other Accrued Payables  | 20,402              | 19,522              |
| <b>Total Current Liabilities (Payable From Current Assets)</b>    | <b>40,584</b>       | <b>44,577</b>       |
| Current Liabilities (Payable From Restricted Assets):             |                     |                     |
| Customer Deposits   | 102,238             | 94,703              |
| Revenue Bonds Payable   | 81,000              | 69,000              |
| Accrued Interest on Bonds Payable                                 | 15,494              | 8,696               |
| <b>Total Current Liabilities (Payable From Restricted Assets)</b> | <b>198,732</b>      | <b>172,399</b>      |
| Long Term Liabilities:  |                     |                     |
| Bonds Payable   | 2,898,880           | 2,977,799           |
| <b>Total Long Term Liabilities</b>                                | <b>2,898,880</b>    | <b>2,977,799</b>    |
| <b>Total Liabilities</b>  | <b>3,138,196</b>    | <b>3,194,775</b>    |
| <b>Net Position</b>   |                     |                     |
| Investment in Capital Assets                                      | 2,086,488           | 2,102,347           |
| Restricted for:   |                     |                     |
| Capital Activity and Debt Service                                 | 103,158             | 81,294              |
| Unrestricted  | 1,066,578           | 963,785             |
| <b>Total Net Position</b>   | <b>\$ 3,256,224</b> | <b>\$ 3,147,426</b> |

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

## Statement B

**Varnado Waterworks District**  
**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>         |
|--|---------------------|---------------------|
| <b>Operating Revenues</b>                      |                     |                     |
| Water Sales                                    | \$ 854,643          | \$ 830,040          |
| Installations                                  | 9,300               | 7,200               |
| Penalties                                      | 20,591              | 19,756              |
| Billing Fees                                   | 287,915             | 211,340             |
| Reconnect Fees                                 | 3,500               | 5,625               |
| Other  | 6,671               | 6,128               |
| <b>Total Operating Revenues</b>                | <u>1,182,620</u>    | <u>1,080,089</u>    |
| <b>Operating Expenses</b>                      |                     |                     |
| Advertising                                    | 2,291               | 2,191               |
| Bad Debts                                      | 3,379               | 4,371               |
| Conventions & Seminars                         | 1,344               | 2,139               |
| Depreciation                                   | 231,483             | 240,339             |
| Director's Fees                                | 2,760               | 3,060               |
| Employee Benefits                              | 67,510              | 56,658              |
| Insurance                                      | 71,386              | 45,982              |
| Contract - Meter Specialist                    | 26,008              | 21,115              |
| Office Expense                                 | 21,560              | 15,448              |
| Other  | 12,367              | 6,499               |
| Payroll Taxes                                  | 30,040              | 24,120              |
| Permits  | 19,800              | 19,755              |
| Professional Fees                              | 18,073              | 20,547              |
| Repairs and Maintenance                        | 63,396              | 62,550              |
| Salaries and Wages                             | 386,888             | 312,694             |
| Supplies - Maintenance                         | 69,087              | 63,432              |
| Telephone                                      | 5,998               | 5,818               |
| Travel   | -                   | 229                 |
| Uniforms                                       | 6,317               | 5,525               |
| Utilities                                      | 76,082              | 72,855              |
| Vehicle Expenses                               |                     |                     |
| Fuel   | 7,348               | 8,660               |
| Truck  | 357                 | 1,139               |
| <b>Total Operating Expenses</b>                | <u>1,123,474</u>    | <u>995,126</u>      |
| <b>Operating Income (Loss)</b>                 | <u>59,146</u>       | <u>84,963</u>       |
| <b>Nonoperating Revenues (Expenses)</b>        |                     |                     |
| Realized Gain (Loss) on Sale of Capital Assets | -                   | -                   |
| Interest Income                                | 12,155              | 13,748              |
| Interest Expense                               | (91,251)            | (119,716)           |
| Amortization Expense                           | (2,082)             | -                   |
| Bond Issuance Costs Incurred                   | -                   | (95,133)            |
| Insurance Recoveries                           | 115,658             | -                   |
| Other Income                                   | 15,172              | 30,185              |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <u>49,652</u>       | <u>(170,916)</u>    |
| <b>Change in Net Position</b>                  | <u>108,798</u>      | <u>(85,954)</u>     |
| <b>Total Net Position, Beginning</b>           | <u>3,147,426</u>    | <u>3,233,380</u>    |
| <b>Total Net Position, Ending</b>              | <u>\$ 3,256,224</u> | <u>\$ 3,147,426</u> |

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

**Varnado Waterworks District**  
**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>       |
|--|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>  |                   |                   |
| Received From Customers  | \$ 865,600        | \$ 843,585        |
| Received for Customer Deposits and Connection Fees                                   | 7,535             | 7,946             |
| Other Receipts   | 292,803           | 207,104           |
| Payments for Operations  | (443,665)         | (360,252)         |
| Payments to Employees  | (454,398)         | (369,352)         |
| Net Cash Provided by Operating Activities  | <u>267,875</u>    | <u>329,031</u>    |
| <b>Cash Flows From Noncapital Financing Activities</b>                               |                   |                   |
| Other Receipts   | 15,172            | 30,185            |
| Net Cash Provided (Used) by Noncapital Financing Activities                          | <u>15,172</u>     | <u>30,185</u>     |
| <b>Cash Flows From Capital and Related Financing Activities</b>                      |                   |                   |
| Capital Contributions Received   | -                 | -                 |
| Proceeds from Insurance Recoveries   | 115,658           | -                 |
| Proceeds from Sale of Capital Acquisitions   | -                 | -                 |
| (Payments for) Capital Acquisitions  | (146,497)         | (107,699)         |
| (Payments for) Bond Issue Cost   | -                 | (95,133)          |
| Principal Proceeds of Long Term Debt   | -                 | 2,863,799         |
| Principal Payments of Long Term Debt   | (69,000)          | (2,957,815)       |
| Interest Payments for Long Term Debt   | (84,460)          | (115,154)         |
| Net Cash (Used) by Capital and Related Financing Activities                          | <u>(184,299)</u>  | <u>(412,002)</u>  |
| <b>Cash Flows From Investing Activities</b>  |                   |                   |
| Receipt of Interest  | 12,155            | 13,748            |
| Proceeds from sale (Payments) for Investments  | (217,075)         | -                 |
| Net Cash Provided by Investing Activities  | <u>(204,920)</u>  | <u>13,748</u>     |
| <b>Net Cash Increase (Decrease) in Cash and Cash Equivalents</b>                     | (106,172)         | (39,038)          |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                                  | 724,635           | 763,673           |
| <b>Cash and Cash Equivalents, End of Year</b>  | <u>\$ 618,463</u> | <u>\$ 724,635</u> |
| <b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b> |                   |                   |
| Cash and Cash Equivalents, Unrestricted  | \$ 413,067        | \$ 548,638        |
| Cash and Cash Equivalents, Restricted  | 205,396           | 175,997           |
| Total Cash and Cash Equivalents  | <u>\$ 618,463</u> | <u>\$ 724,635</u> |

(Continued)

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

**Varnado Waterworks District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

|  | <b>12/31/20</b> | <b>12/31/19</b> |
|--|-----------------|-----------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b> |                 |                 |
| Operating Income (Loss)  | \$ 59,146       | \$ 84,963       |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:       |                 |                 |
| Depreciation   | 231,483         | 240,338         |
| (Increase) decrease in Accounts Receivable   | (7,166)         | (5,618)         |
| (Increase) decrease in Due from Other Governments  | (14,582)        | 24,532          |
| (Increase) decrease in Prepaid Insurance   | 2,399           | (2,814)         |
| Increase (decrease) in Accounts Payable  | (11,819)        | (19,522)        |
| Increase (decrease) in Accrued Expenses  | 880             | (795)           |
| Increase (decrease) in Customer Deposits   | 7,535           | 7,947           |
| Net Cash Provided by Operating Activities  | \$ 267,876      | \$ 329,031      |

(Concluded)

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

## Notes to the Financial Statements

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

**Introduction**

Varnado Waterworks District was established in 1975, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for an eight-member governing board of commissioners appointed by the Washington Parish Council. The District currently serves a total of 1,727 customers as of December 31, 2020. The District's water wells are located approximately five miles north of the Bogalusa, Louisiana, city limits. The system lines run north to the Mississippi state line, south to the Bogalusa city limits, east to Pearl River, and approximately five miles west of Military Road. A project, funded by a loan and grant from the USDA Rural Development Office, was completed during 2008, which extended services to 289 customers in the "Pine Area."

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

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Varnado Waterworks District is considered a component unit of the Washington Parish Council.

**1. Summary of Significant Accounting Policies**

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

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J—Net Position*.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ended December 31, 2012. The District did not have any deferred outflows or inflows of resources at December 31, 2019.

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

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

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

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position includes all costs of providing goods and services during the period.

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

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

**B. Cash and Cash Equivalents and Investments**

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

**C. Investments**

Investments for the District are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

**D. Inventories**

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.

**E. Prepaid Items**

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

**F. Restricted Assets**

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

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

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

| <u>Description</u>      | <u>Estimated Lives</u> |
|-------------------------|------------------------|
| Buildings               | 15 - 30 Years          |
| Equipment and Furniture | 5 - 7 Years            |
| Utility System          | 20 - 30 Years          |

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**H. Compensated Absences**

The District has the following policy related to vacation and sick leave:

Employees receive two weeks of paid vacation after being employed for one to five years, increasing up to six weeks of vacation for employees with twenty-one years or more service. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue a half a day per month of employment for sick leave up to a maximum of 45 days.

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

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

**I. Long-Term Debt Obligations**

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

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

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

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

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

**J. Net Position**

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

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**K. Comparative Data/Reclassifications**

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

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

**L. Extraordinary and Special Items**

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

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

**2. Cash and Cash Equivalents**

At December 31, 2020 and 2019, the District has cash and cash equivalents (book balances) totaling, as follows:

|   | <u>31-Dec-20</u>  | <u>31-Dec-19</u>  |
|---|-------------------|-------------------|
| Demand Deposits   | \$ 389,068        | \$ 310,591        |
| Time & Savings Accounts                                   | 148,815           | 118,023           |
| Money Market Accounts                                     | -                 | 215,960           |
| Louisiana Asset Management Pool                           | <u>80,580</u>     | <u>80,061</u>     |
| Total Cash and Cash Equivalents                           | <u>618,463</u>    | <u>724,635</u>    |
| Certificates of Deposits Held in Investments (See Note 3) | <u>229,041</u>    | <u>225,000</u>    |
| Total Deposits  | <u>\$ 847,504</u> | <u>\$ 949,635</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2020, the District has \$741,182 in deposits (collected bank balances), consisting of \$373,540 in demand deposits within three separate banks and \$138,604 in time and savings accounts, and \$229,041 in certificates of deposits held as investments, within three separate banks. The demand deposits and the time and savings accounts are secured from risk by \$250,000 of federal deposit insurance at each financial institution and also have access to pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**3. Investments**

Investments are categorized into these three categories of credit risk:

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

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

At December 31, 2020, the District's investment balances were as follows:

**Varnado Waterworks District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2020**  
**(with 2019 summarized comparative information)**

|   | <b>Maturity Date</b> | <b>Carrying Amount</b> | <b>Fair Market Value</b> |
|---|----------------------|------------------------|--------------------------|
| <b>Government Agency Bonds</b>  |                      |                        |                          |
| LPL Financial US Treasury Note. Moody's Rating: AAA. S&P Rating: Not Rated. | March 31, 2021       | \$ 116,308             | \$ 116,308               |
| LPL Financial US Treasury Note. Moody's Rating: AAA. S&P Rating: Not Rated. | March 31, 2021       | 124,330                | 124,330                  |
| LPL Financial US Treasury Note. Moody's Rating: AAA. S&P Rating: Not Rated. | March 31, 2021       | 49,130                 | 49,130                   |
|   |                      | 289,768                | 289,768                  |
|   |                      |                        |                          |
| LPL Financial - Money Market  |                      | \$ 1,510               | \$ 1,510                 |
| LPL Financial - Money Market  |                      | 2,017                  | 2,017                    |
| LPL Financial - Money Market  |                      | 40,509                 | 40,509                   |
| LPL Financial - Money Market  |                      | 1,089                  | 1,089                    |
|   |                      | 45,125                 | 45,125                   |
|   |                      |                        |                          |
| <b>Certificates of Deposit:</b>   |                      |                        |                          |
| Citizens Savings Bank   | March 9, 2021        | \$ 10,000              | \$ 10,000                |
| Whitney National Bank   | September 21, 2021   | 74,041                 | 74,041                   |
| Citizens Savings Bank   | October 13, 2021     | 45,000                 | 45,000                   |
| Citizens Savings Bank   | July 19, 2022        | 100,000                | 100,000                  |
|   | Total                | \$ 229,041             | \$ 229,041               |
|   |                      |                        |                          |
|   | Total                | \$ 563,934             | \$ 563,934               |

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District. Because these investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section I50.164.

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

The government and agency bonds are at recurring fair value measurements as of December 31, 2020. These were valued using quoted market prices (Level 1 inputs)

All money market accounts are secured by federal deposit insurance. These are stated at cost, which approximates market value.

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool (LAMP) at December 31, 2020, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is

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governed by a board of directors comprised of the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. LAMP is subject to the regulator oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

1. Credit risk: LAMP is rated AAA by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments, as provided by LAMP, is 47 days as of December 31, 2020.
5. Foreign currency risk: Not applicable to 2a7-like pools.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc., is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

**Varnado Waterworks District**  
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**4. Receivables**

The following is a summary of receivables at December 31, 2020 and 2019:

|   | <u>Year Ended<br/>December 31,<br/>2020</u> | <u>Year Ended<br/>December 31,<br/>2019</u> | <u>Increase<br/>(Decrease)</u> |
|---|---|---|--------------------------------|
| Accounts Receivable                     |   |   |                                |
| Current                                 | \$ 71,966                                   | \$ 69,190                                   | \$ 2,776                       |
| 31-60 Days Past Due                     | 9,966                                       | 4,557                                       | 5,409                          |
| 61-90 Days Past Due                     | 3,691                                       | 1,827                                       | 1,864                          |
| Over 90 Days Past Due                   | 2,043                                       | 1,940                                       | 103                            |
| Subtotal                                | <u>87,666</u>                               | <u>77,514</u>                               | 10,152                         |
| Allowance for Uncollectible Accounts    | <u>(8,226)</u>                              | <u>(4,847)</u>                              | <u>(3,379)</u>                 |
| Net Accounts Receivable                 | <u>\$ 79,440</u>                            | <u>\$ 72,667</u>                            | <u>\$ 6,773</u>                |
| Accrued Billings                        | 13,869                                      | 13,477                                      | 392                            |
| Due from Other Governments              |   |   |                                |
| Due from Bogue Lusa Waterworks          | 35,308                                      | 23,483                                      | 11,825                         |
| Due (to) from Washington Gas District 1 | 7,619                                       | 4,862                                       | 2,758                          |
| Total Receivables                       | <u>\$ 136,236</u>                           | <u>\$ 114,488</u>                           | <u>21,748</u>                  |

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2020, accrued billings amounts were \$13,869, and \$13,477, at December 31, 2019.

**Varnado Waterworks District**  
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**5. Restricted Assets**

The following is a summary of restricted assets at December 31, 2020 and 2019:

|                                      | <b>December<br/>31, 2020</b> | <b>December<br/>31, 2019</b> |
|--------------------------------------|------------------------------|------------------------------|
| Restricted Cash and Cash Equivalents |                              |                              |
| Customer Deposits                    | \$ 102,238                   | \$ 94,703                    |
| Bond Reserve Account                 | 49,211                       | 48,980                       |
| Bond Contingency Account             | -                            | -                            |
| Bond Sinking Account                 | 53,947                       | 32,314                       |
| Total Restricted Assets              | \$ 205,396                   | \$ 175,997                   |

**6. Capital Assets**

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

|  | <b>Beginning<br/>Balance<br/>12/31/19</b> | <b>Additions and<br/>Reclassifications</b> | <b>Deletions and<br/>Reclassifications</b> | <b>Ending<br/>Balance<br/>12/30/20</b> |
|--|---|--|--|--|
| Capital Assets Being Depreciated       |   |  |  |  |
| Buildings                              | \$ 151,180                                | \$ -                                       | \$ -                                       | \$ 151,180                             |
| Equipment                              | 271,714                                   | 41,763                                     |  | 313,477                                |
| Utility System                         | 9,632,538                                 | 58,576                                     | (51,910)                                   | 9,639,204                              |
| Vehicles                               | 113,953                                   | 39,218                                     | -  | 153,171                                |
| Total Capital Assets Being Depreciated | 10,169,385                                | 139,556                                    | (51,910)                                   | 10,257,031                             |
| Less Accumulated Depreciation          | (5,199,844)                               | 29,620                                     | (231,483)                                  | (5,401,707)                            |
| Capital Assets Being Depreciated, Net  | 4,969,541                                 | 169,176                                    | (283,393)                                  | 4,855,324                              |
| Land                                   | 105,512                                   | -  | -  | 105,512                                |
| Construction in Progress               | 74,093                                    | 31,439                                     | -  | 105,532                                |
| Total Capital Assets, Net              | \$ 5,149,146                              | \$ 200,615                                 | \$ (283,393)                               | \$ 5,066,368                           |

Equipment, furniture, and fixtures are depreciated using the useful lives of five to ten years, and the water distribution system uses a useful life of twenty to thirty years. All assets are depreciated under the straight-line method. Capital Assets decreased by approximately two percent or \$82,779 as a result of the following activity:

- 1) SCADA system for \$36,286
- 2) The old SCADA system was disposed with cost and accumulated depreciation at \$29,620 each and zero net book value
- 3) A truck for \$35,417
- 4) New pumps for \$6,476
- 5) Transmission repair for \$3,800
- 6) Hwy 437 well repairs for \$15,814
- 7) Other equipment for \$19,473
- 8) Construction in progress related to the new well on Mitch Road for \$31,439, and
- 9) Current year depreciation of \$231,483.

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Bids for the Mitch Road well project was received and publicly opened on January 29, 2020 at the Washington Parish Government Office. The low bidder was Griner Drilling Service, Inc. for \$1,278,000. A change order was executed on April 7, 2020 for a decrease of \$75,752.50. The contract was decreased to \$1,202,947.50. The project will be funded with a Louisiana Community Development Block Grant for \$1,048,000. Funds will flow through to the Washington Parish Government. Construction costs will be paid by the Washington Parish Government using the grant funds. As of December 31, 2020, the construction costs accumulated on the project at the parish level were \$510,142. At completion of the project, the well will be transferred to Varnado Waterworks District. Any contract costs that are over the grant funds will be paid by the District. All engineering, testing, and administration costs will be paid by the District. As of December 31, 2020, the District's costs toward the project were \$105,532.

Insurance Recoveries of Assets:

In June 2020, an explosion occurred at the water well site located on Highway 436 resulting from criminal mischief. Damaged included a total loss of a water tank, electrical problems to a control panel, and other repairs to the site. The District received insurance money in the amount of \$74,183. As of December 31, 2020, the replacement tank has not been delivered and a cost cannot be confirmed on the tank.

Other insurance recoveries totaled \$41,475. This included the following items:

- 1) There was electrical damage to the SCADA system requiring replacement of the asset. Insurance proceeds were received in the amount of \$36,011. The replacement cost of the new system was \$36,286. The old SCADA system was removed from the asset schedule with a zero-book value.
- 2) A switch on a generator at a well site was damaged by lightning. The District received \$4,326 in insurance proceeds. The replacement cost of the switch was \$4,667
- 3) A vehicle had minor damage with insurance proceeds of \$1,138.

**7. Long-Term Obligations**

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

| <u>Description</u>             | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------------------------|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| Long-Term Debt                 |                              |                  |                  |                           |                                |
| 2011 Water Rev. Bond Refunding | 183,000                      | -                | (44,000)         | 139,000                   | 46,000                         |
| 2020 Water Revenue Refunding   | 2,920,000                    | -                | (25,000)         | 2,895,000                 | 35,000                         |
| Total Long-Term Debt           | \$ 3,103,000                 | \$ -             | \$ (69,000)      | \$ 3,034,000              | \$ 81,000                      |
| Less:                          |                              |                  |                  |                           |                                |
| Unamortized Discount           | (56,202)                     | -                | 2,081            | (54,121)                  | (2,082)                        |
| Total Long Term Debt           | \$ 3,046,799                 | \$ -             | \$ (66,919)      | \$ 2,979,880              | \$ 78,918                      |

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Bonds Payables as of December 31, 2020 and 2019 are as follows:

|  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| <b>Revenue Bond</b> \$ 462,000   |                      |                      |
| Water Revenue Bonds -Series 2011 Refunding sold to Rural Utility Service                       |                      |                      |
| Dated 8/25/2011    due in annual installments of principal and semi-annual interest averaging  |                      |                      |
| \$        48,439    through        3/1/2023 interest at 4.20%                                  | 139,000              | 183,000              |
| <br><b>Revenue Bond</b> \$ 2,920,000   |                      |                      |
| Water Revenue Bonds -Series 2020 Refunding sold privately                                      |                      |                      |
| Dated 11/19/2020    due in annual installments of principal and semi-annual interest averaging |                      |                      |
| \$        54,281    through        11/1/2046 interest from 2% to 3%                            | 2,895,000            | 2,920,000            |
|  | <u>\$ 3,034,000</u>  | <u>\$ 3,103,000</u>  |

The annual requirements to amortize all debt outstanding as of December 31, 2020, including interest payments of \$1,426,789 are as follows:

|                         |   | Series 2011<br>Water<br>Revenue<br>Refunding |   | Series 2020<br>Water<br>Revenue<br>Refunding |    | Total               |
|-------------------------|---|--|---|--|----|---------------------|
| Year Ending<br>12/31/20 |   | \$ 462,000                                   |   | \$ 2,920,000                                 |    |                     |
| 2021                    | S | 50,875                                       |   | 116,288                                      | \$ | 167,163             |
| 2022                    |   | 50,898                                       |   | 115,588                                      |    | 166,486             |
| 2023                    |   | 45,945                                       |   | 119,888                                      |    | 165,833             |
| 2024                    |   | -  |   | 169,088                                      |    | 169,088             |
| 2025                    |   | -  |   | 167,288                                      |    | 167,288             |
| 2026 to 2030            |   | -  |   | 839,825                                      |    | 839,825             |
| 2031 to 2035            |   | -  |   | 845,450                                      |    | 845,450             |
| 2036 to 2040            |   | -  |   | 841,500                                      |    | 841,500             |
| 2041 to 2045            |   | -  |   | 843,750                                      |    | 843,750             |
| 2046 to 2046            |   | -  |   | 169,950                                      |    | 169,950             |
|                         |   | <u>\$ 147,718</u>                            | S | <u>\$ 4,228,615</u>                          | \$ | <u>\$ 4,376,333</u> |

**8. Flow of Funds, Restrictions on Use**

As of December 31, 2020, the bond restrictions apply to parity bond obligations of outstanding bonds of Varnado Waterworks District and include the two issues of the 2007 Water Revenue Bonds, and the Series 2011 Refunding Bonds. Bond descriptions and covenants are as follows:

During the fiscal year ending December 31, 2009, construction was completed for the Pine Area system improvements. Interim financing totaling \$3,395,000 was obtained to finance the system improvements, with permanent financing to be provided by the USDA Rural Development Office. Interim financing was paid off

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March 29, 2007 by USDA Rural Development financing with a refunding totaling \$3,547,775. The payment of \$3,547,775 consisted of payoff of principal totaling \$3,395,000 plus \$152,775 accumulated interest, capitalized as construction period interest. The USDA Rural Development Office refunded the interim loan with the issuance of two Water Revenue Bonds, both dated March 29, 2007, and both issued at an annual interest rate of 4.125%.

The first bond issue totals \$651,000, and the second issue totals \$2,744,000, for a combined total of \$3,395,000. Both of the bond issues specify that the bond shall be payable over a forty (40) year period, with the first payment consisting of interest only which fell due on April 1, 2008 and will be paid thereafter in Four Hundred Eighty (480) consecutive monthly payments commencing May 1, 2008 and continuing through May 1, 2047 unless the principal amount hereof is prepaid in whole or in part in accordance with the terms set forth in the Bond Resolution. Each payment shall be applied first to the payment of accrued interest, and second to the payment of principal. For the issue totaling \$651,000, bond terms require a total monthly principal and interest payment of \$2,805.81, and for the \$2,744,000 bond issue a total monthly principal and interest payment of \$11,826.64. With the payoff of interim financing and the issuance of long-term financing provided by the USDA Rural Development, the District recorded a total of \$65,193 in bond issuance costs, to be amortized over the life of the bonds.

During the fiscal year ending December 31, 2011, the April 13, 1988, bonds originally issued at \$925,000 were refunded with a cash payment of \$522,045. Sources of funding were issuance of Series 2011 Water Refunding Bonds at \$462,000, plus the District provided funds of \$68,951 from the existing Reserve Fund, and \$57,531 from the existing Depreciation and Contingency Fund to complete the refunding transaction. Proceeds of the issue and funds provided by the District also provided for advance funding of \$46,200 to fully fund the Series 2011 Debt Reserve Fund, and \$20,237 to fund the costs of issuance and other costs. The Series 2011 Refunding Bonds, issued at annual interest rate of 4.2% on August 25, 2011, are payable in semi-annual installments for interest and annual installments of principal and mature on March 1, 2023.

During the year ending December 31, 2019, the District issued \$2,920,000 in Water Refunding Bonds, Series 2019 at a discount of \$56,202 with the purpose of refunding the outstanding USDA bonds and paying the costs of issuance. The bonds were sold to a private lender. These bonds maturing from November 1, 2024 to 2046 carry interest rates ranging from two to three percent and are payable in annual installments of principal and semi-annual installments of interest. The District refunded the outstanding \$551,495 Loan 07 and \$2,324,581 Loan 08 in USDA water revenue bonds with the Series 2019 bond proceeds and an additional \$108,639 from prior reserve fund. The District incurred and expensed \$95,133 in bond issuance costs associated with the issuance of Water Revenue Refunding Bonds, Series in the year December 31, 2019.

Due to the refunding of debt, previous debt service of \$4,782,272 was replaced by debt service of \$4,331,311 after refunding, resulting in an increase in cash flow of \$450,691. A recap of net present value benefits and cash savings for the Water Revenue Refunding bonds, Series 2019 issue is presented below:

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**PV Analysis Summary (Gross to Gross) for Water Revenue Refunding Bonds, Series 2019**

|  |          |                |
|--|----------|----------------|
| Gross PV Debt Service Savings                    | S        | 390,086        |
| Transfers from Prior Issue DSR Fund              |          | (108,639)      |
| Net Present Value Benefit                        | <u>S</u> | <u>281,447</u> |
| Net PV Benefit / \$2,868,943 Refunded Principal  |          | 9.810%         |
| Net PV Benefit / \$2,920,000 Refunding Principal |          | 9.639%         |

Under the terms of the bond issue, the bonds are payable as to principal and interest solely from the income and revenues derived from the operations of the combined water system of the District after provisions have been made for the payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system. Total interest expense from all water revenue bonds equaled \$91,251 for the year ending December 31, 2020. The gross water revenue recognized during the current period was \$854,643.

Each of the water revenue bonds specify the establishment and maintenance of a separately identifiable fund or account designated as the "Water System Bond Revenue Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the Bonds and any Additional Parity Bonds, as they severally become due and payable, by transferring from the Revenue Fund to the agent of the Issuer, monthly on or before the 20<sup>th</sup> day of each month of each year, such proportionate amount of the principal and interest sufficient to make the Debt Service payment due on the next Interest Payment Date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments. Alternately, the fiscal agent has set up a payment schedule whereby the District makes payments directly to the debt service account in which payments are made from. This eliminates the need of the "Bond and Interest Sinking Fund" for the Series 2019 Bonds, but is required for the 2011 Series Refunding Bonds. At December 31, 2020, the 2011 Series Sinking Fund was fully-funded with a balance of \$32,284. At December 31, 2010, the District made all twelve payments to the debt service account for the Series 2019 bonds.

Bond covenants for the Series 2011 Water Revenue Bonds also require funds be set aside into a "Water Revenue Bond Reserve Account". The Series 2011 Debt Service Reserve Fund was fully funded with a deposit of \$46,200 at the bond closing on August 25, 2011. At December 31, 2020, the Series 2011 Debt Service Reserve Fund was fully funded at \$49,211.

At issuance of the Series 2019 Water Revenue Refunding bonds, an insurance policy was purchased to be drawn upon in the event there are not enough funds to cover the principal and interest payments as they become due. In the resolution of the 2020 Water Revenue Refunding Bonds, Series 2019 page three, paragraph three, states that the District will "fund a reserve fund for the bonds, via paying the cost of a reserve policy as defined in the bond resolution." Therefore, no such account is needed for the 2019 Water Revenue Refunding Bonds.

A Depreciation and Contingency Fund is created to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system. Neither Water Revenue Refunding bonds, Series 2011 and Series 2019, require such funds.

As note, the Series 2019 Bonds were issued in parity with the Series 2011 Bonds. Both bond issues require the following covenants:

The Issuer, through its Governing Authority by proper resolution and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the system,

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and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year, sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide "Net Revenues" at least equal to 120% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any additional parity bonds or other obligations of the system. "Net Revenues," per applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system.

For the fiscal year ending December 31, 2020, Net Revenues were computed to be above the 120 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 258 percent.

**9. Restricted and Designated Net Position**

At December 31, 2020, Varnado Waterworks District recorded \$103,158, in Restricted Net Assets (Restricted for Capital Activity 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. Intergovernmental Agreement**

The Varnado Waterworks District has a service agreement with the Bogue Lusa Water Works District and the Washington Parish Gas District Number One, also known as Varnado Gas District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for Bogue Lusa Water Works District and Varnado Gas District. The Varnado Waterworks District also performs meter reading for Varnado Gas District, which is included in the administrative costs. Bogue Lusa Water Works is independently responsible for its meter reading expenses. The per customer monthly fee for Bogue Lusa Water Works for this service was \$2.60, and \$3.00 per customer per month for Varnado Gas District, payable monthly. The rate for Varnado Gas District includes \$2.35 for billing and \$0.65 per customer for meter reading.

Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District and Varnado Gas District will be billed monthly at two times the employees' hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the other districts at an agreed-upon rate per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

For the fiscal year ending December 31, 2020, billing fees charged to Other Governments was \$272,387 for Bogue Lusa Water District, and \$15,528 charged to Washington Parish Gas District No. 1.

**11. Litigation and Claims**

There is no outstanding litigation at December 31, 2020.

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**12. Contingent Liabilities**

There are no contingent liabilities at December 31, 2020.

**13. Subsequent Events**

Effective January 1, 2021 the effective base water rate for residential and commercial customers will increase by \$1.00. This is due to the increase of the operating expenditures of the District.

As noted in note 6, an explosion occurred at the water well site located on Highway 436 resulting from criminal mischief. Damaged included a total loss of a water tank, electrical problems to a control panel, and other repairs to the site. The District received insurance money in the amount of \$74,183. As of the date of these financials, the replacement tank has not been delivered and a cost cannot be confirmed on the tank.

The financial statements considered subsequent events through June 27, 2021 the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2020.

## Other Supplemental Information

**Varnado Waterworks District**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2020**  
**(With Comparative Amounts for the Fiscal Year Ended December 31, 2019)**

|  | 2020                | 2020                | Variance                   | 2019                |
|--|---------------------|---------------------|----------------------------|---------------------|
|  | Budget              | Actual              | Favorable<br>(Unfavorable) | Actual              |
| <b>Operating Revenues</b>                      |                     |                     |                            |                     |
| Water Sales                                    | \$ 857,000          | \$ 854,643          | \$ (2,357)                 | \$ 830,040          |
| Installations                                  | 8,900               | 9,300               | 400                        | 7,200               |
| Penalties                                      | 20,750              | 20,591              | (159)                      | 19,756              |
| Billing Fees                                   | 283,000             | 287,915             | 4,915                      | 211,340             |
| Reconnect Fees                                 | 4,000               | 3,500               | (500)                      | 5,625               |
| Other  | 6,900               | 6,671               | (229)                      | 6,128               |
| <b>Total Operating Revenues</b>                | <u>1,180,550</u>    | <u>1,182,620</u>    | <u>2,070</u>               | <u>1,080,089</u>    |
| <b>Operating Expenses</b>                      |                     |                     |                            |                     |
| Advertising                                    | 2,500               | 2,291               | 209                        | 2,191               |
| Bad Debts                                      | -                   | 3,379               | (3,379)                    | 4,371               |
| Conventions & Seminars                         | 1,350               | 1,344               | 6                          | 2,139               |
| Depreciation                                   | 260,000             | 231,483             | 28,517                     | 240,339             |
| Director's Fees                                | 2,800               | 2,760               | 40                         | 3,060               |
| Employee Benefits                              | 73,810              | 67,510              | 6,300                      | 56,658              |
| Insurance                                      | 63,500              | 71,386              | (7,886)                    | 45,982              |
| Contract - Meter Specialist                    | 26,000              | 26,008              | (8)                        | 21,115              |
| Office Expense                                 | 21,000              | 21,560              | (560)                      | 15,448              |
| Other  | 12,928              | 12,367              | 561                        | 6,499               |
| Payroll Taxes                                  | 30,300              | 30,040              | 260                        | 24,120              |
| Permits  | 20,000              | 19,800              | 200                        | 19,755              |
| Professional Fees                              | 20,250              | 18,073              | 2,177                      | 20,547              |
| Repairs and Maintenance                        | 75,000              | 63,396              | 11,604                     | 62,550              |
| Salaries and Wages                             | 387,000             | 386,888             | 112                        | 312,694             |
| Supplies - Maintenance                         | 72,000              | 69,087              | 2,913                      | 63,432              |
| Telephone                                      | 6,000               | 5,998               | 2                          | 5,818               |
| Travel   | -                   | -                   | -                          | 229                 |
| Uniforms                                       | 6,150               | 6,317               | (167)                      | 5,525               |
| Utilities                                      | 75,000              | 76,082              | (1,082)                    | 72,855              |
| Vehicle Expenses                               | 5,300               | 7,705               | (2,405)                    | 9,799               |
| <b>Total Operating Expenses</b>                | <u>1,160,888</u>    | <u>1,123,474</u>    | <u>37,414</u>              | <u>995,126</u>      |
| <b>Operating Income (Loss)</b>                 | <u>19,662</u>       | <u>59,146</u>       | <u>39,484</u>              | <u>84,963</u>       |
| <b>Nonoperating Revenues (Expenses)</b>        |                     |                     |                            |                     |
| Realized Gain (Loss) on Sale of Capital Assets | -                   | -                   | -                          | -                   |
| Interest Income                                | 6,500               | 12,155              | 5,655                      | 13,748              |
| Interest Expense                               | (130,000)           | (91,251)            | 38,749                     | (119,716)           |
| Amortization Expense                           | -                   | (2,082)             | (2,082)                    | -                   |
| Bond Issuance Costs                            | -                   | -                   | -                          | (95,133)            |
| Insurance Recoveries                           | -                   | 115,658             | 115,658                    | -                   |
| Other Income                                   | 124,450             | 15,172              | (109,278)                  | 30,185              |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <u>950</u>          | <u>49,652</u>       | <u>48,702</u>              | <u>(170,916)</u>    |
| <b>Change in Net Position</b>                  | <u>20,612</u>       | <u>108,798</u>      | <u>88,186</u>              | <u>(85,954)</u>     |
| <b>Total Net Position, Beginning</b>           | <u>3,147,426</u>    | <u>3,147,426</u>    | <u>-</u>                   | <u>3,233,380</u>    |
| <b>Total Net Position, Ending</b>              | <u>\$ 3,168,038</u> | <u>\$ 3,256,224</u> | <u>\$ 88,186</u>           | <u>\$ 3,147,426</u> |

See independent auditor's report.

**Varnado Waterworks District**  
**Schedule of Insurance**  
**For the year ended December 31, 2020**

| <b>Insurance Company /<br/>Policy Number</b>                | <b>Coverage</b>                           | <b>Amount</b> | <b>Period</b>            |
|---|---|---------------|--------------------------|
| Western Surety Company<br>18216102                          | Fidelity Bond Coverage:                   |               | 11/16/2020 to 11/16/2021 |
|   | Employee Dishonesty                       | \$ 100,000    |                          |
|   | Forgery and Alteration                    | 100,000       |                          |
|   | Theft, Disappearance                      | 100,000       |                          |
|   | Computer Fraud                            | 50,000        |                          |
| American Alternative<br>Insurance Co.<br>GPPA-PF-6053997-03 | Commercial General Liability:             |               | 2/28/2020 to 2/27/2021   |
|   | General Aggregate                         | 3,000,000     |                          |
|   | Per Occurrence Limits                     | 1,000,000     |                          |
|   | Damage to Premises Rented                 | 1,000,000     |                          |
|   | Medical Expense Per Accident              | 10,000        |                          |
|   | Personal and Advertising Injury           | 1,000,000     |                          |
|   | Products-Completed Operations Aggregate   | 3,000,000     |                          |
|   | Public Officials and Management Liability | 1,000,000     |                          |
|   | Commercial Property                       | 2,650,096     |                          |
|   | Crime Coverage                            | 100,000       |                          |
|   | Cyber Crime Liability                     | 1,000,000     |                          |
|   | Business Auto:                            |               |                          |
|   | Liability                                 | 1,000,000     |                          |
|   | Uninsured Motorist                        | 1,000,000     |                          |
| Underinsured Motorists                                      | 1,000,000                                 |               |                          |
| Comprehensive   | As scheduled                              |               |                          |
| Collision   | As scheduled                              |               |                          |
| Medical Payments  | 5,000                                     |               |                          |
| Louisiana Workers Comp.<br>105384-B                         | Workers Compensation:                     |               | 4/8/2020 to 4/8/2021     |
|   | Accident                                  | 100,000       |                          |
|   | Policy Limit                              | 500,000       |                          |
|   | Each Employee                             | 100,000       |                          |

See independent auditor's report.

**Varnado Waterworks District**  
**Schedule of Compensation Paid to Board of Commissioners**  
**For the year ended December 31, 2020**

| <u>Name and Title / Contact Number</u>         | <u>Address</u>                                  | <u>Compensation<br/>Received</u> | <u>Term<br/>Expiration</u> |
|--|---|----------------------------------|----------------------------|
| Freddie Jefferson, President<br>(985) 986-2460 | 31110 School Road<br>Angie, LA 70426            | \$ 720                           | 12/31/21                   |
| Ronald Owens, Commissioner<br>(985) 735-6111   | 26183 Highway 21<br>Angie, LA 70426             | 720                              | 12/31/24                   |
| Charles McDaniel, Commissioner                 | 62488 Hamp Pigott Rd<br>Bogalusa, LA 70427      | -                                | 12/31/25                   |
| Tommy Terrell, Commissioner<br>(985) 848-5820  | 53668 Highway 62<br>Franklinton, LA 70438       | 660                              | 12/31/22                   |
| Joe Lewis, Commissioner<br>(985) 735-9863      | 64023 Recreation Center Road<br>Angie, LA 70426 | 660                              | 12/31/23                   |
|  |   | <u>\$ 2,760</u>                  |                            |

See independent auditor's report.

Varnado Waterworks District  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the year ended December 31, 2020

Agency Head Name: Freddie Jefferson, President

| <u>Purpose</u>         |    | <u>Amount</u> |
|------------------------|----|---------------|
| Per diem- Board Member | \$ | 720           |

See independent auditor's report.

**Varnado Waterworks District**  
**Schedule of Water Rates**  
**For the year ended December 31, 2020**

| Water             |       |                  |  |
|-------------------|-------|------------------|--|
| Residential Rates |       | Commercial Rates |  |
| \$                | 25.00 | -                | First 2,000 Gallons                            |
|                   | 3.00  | -                | Per 1,000 Gallons of Water over 2,000 Gallons  |
| \$                | 57.00 | -                | First 15,000 Gallons                           |
|                   | 4.00  | -                | Per 1,000 Gallons of Water over 15,000 Gallons |

| Water Rates for Pine |       |                  |   |
|----------------------|-------|------------------|---|
| Residential Rates    |       | Commercial Rates |   |
| \$                   | 26.50 | -                | First 5,000 Gallons                           |
|                      | 3.00  | -                | Per 1,000 Gallons of Water over 5,000 Gallons |
| \$                   | 59.40 | -                | First 5,000 Gallons                           |
|                      | 4.00  | -                | Per 1,000 Gallons of Water over               |

| Water, Effective January 1, 2021 |       |                  |  |
|----------------------------------|-------|------------------|--|
| Residential Rates                |       | Commercial Rates |  |
| \$                               | 26.00 | -                | First 2,000 Gallons                            |
|                                  | 3.00  | -                | Per 1,000 Gallons of Water over 2,000 Gallons  |
| \$                               | 58.00 | -                | First 15,000 Gallons                           |
|                                  | 4.00  | -                | Per 1,000 Gallons of Water over 15,000 Gallons |

| Water Rates for Pine, Effective January 1, 2021 |       |                  |   |
|---|-------|------------------|---|
| Residential Rates                               |       | Commercial Rates |   |
| \$  | 27.50 | -                | First 5,000 Gallons                           |
|   | 3.00  | -                | Per 1,000 Gallons of Water over 5,000 Gallons |
| \$  | 60.40 | -                | First 5,000 Gallons                           |
|   | 4.00  | -                | Per 1,000 Gallons of Water over               |

See independent auditor's report.

**Schedule of Water Customers**  
**as of December 31, 2020 and 2019**

|  | December 31,<br>2020 | December 31,<br>2019 | Increase<br>(Decrease) |
|--|----------------------|----------------------|------------------------|
| Customers  |                      |                      |                        |
| Residential  | 1,698                | 1,702                | (4)                    |
| Commercial   | 22                   | 22                   | -                      |
| Schools  | 6                    | 6                    | -                      |
| Prison   | 1                    | 1                    | -                      |
| Total Customers  | 1,727                | 1,731                | (4)                    |
| Commercial users having a meter size larger than the residential size (3/4") |                      |                      | 18                     |

See independent auditor's report.

*Minda B. Raybourn*

Certified Public Accountant  
Limited Liability Company

820 11<sup>th</sup> Avenue  
Franklinton, Louisiana 70438  
(985) 839-4413  
Fax (985) 839-4402

Member  
AICPA

Member  
LCPA

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

To the Board of Commissioners  
Varnado Waterworks District  
Washington Parish Council  
Varnado, LA

I 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 Varnado Waterworks District, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Varnado Waterworks District's basic financial statements and have issued my report thereon dated June 27, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, I considered the Varnado Waterworks District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Varnado Waterworks 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

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider material weaknesses or significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Varnado Waterworks District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as item 2020-001.

### **Varnado Waterworks District's Response**

Varnado Waterworks District response to the findings identified in my audit is described in the accompanying schedule of findings and response. Varnado Waterwork District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Minda Raybourn*

Franklinton, Louisiana

June 27, 2021

**Varnado Waterworks District, Louisiana**  
**Schedule of Current Year Audit Findings**  
**For the Year Ended December 31, 2020**

**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

|  |                |               |
|--|----------------|---------------|
| Material weaknesses identified?  | <u>  </u> Yes  | <u>  X</u> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <u>  </u> Yes  | <u>  X</u> No |
| Noncompliance material to the financial statements noted?                              | <u>  X</u> Yes | <u>  </u> No  |

**Varnado Waterworks District, Louisiana**  
**Schedule of Current Year Audit Findings and Responses**  
**For the Year Ended December 31, 2020**

**Finding 2020-001 Public Bid Law**

**Condition:** The District purchased the following two items during the year;

The SCADA system at one of the District's well sites was damaged due to lightning. The District held a meeting on July 24, 2020 to declare an emergency and take action on the repair. The purchase price of the new SCADA system is \$36,286.00. The meeting to declare an emergency and the purchase were not advertised.

The District purchased a 2020 Chevrolet Silverado from a dealership in Mississippi. The purchase price was \$35,417.50. The approval of the purchase does not appear in the minutes nor does the purchase appear to be advertised for bid.

**Criteria:** Per Louisiana RS 38:2212.1, Local political subdivisions and local governmental entities are required to use the Public Bid Law for the procurement of materials and supplies if the cost is over the contract limit of \$30,000, unless an exception exists. Examples of exceptions include: group purchasing options for hospitals (R.S. 38:2212.1(G)) and schools (R.S. 38:2212.1(N)); emergency procurements; or buying items off the state contract using the LPC. Transactions between public entities are not subject to the Public Bid Law, as long as a fair price is received for the goods.

There are certain exceptions for purchases of materials and supplies. These exceptions include:

- 1) purchases off the State Contract under cooperative purchasing agreements; R.S. 38:2212.1(F)
- 2) purchases of surplus materials and supplies from another public entity or the government of the United States or if the particular transaction is governed by the procurement code; R.S. 38:2212.1(D)
- 3) purchases off of the Federal General Services Administration Lists, provided that the items are not otherwise available cheaper on State Contract and the public entity utilizes a Louisiana licensed dealer or distributor; R.S. 38:2212.1(E)
- 4) purchases by hospitals service districts under qualified group purchasing organizations; R.S.38:2212.1(G)
- 5) purchases of used fire and emergency response vehicles, including associated equipment, with a per unit purchase cost of less than one hundred thousand dollars; R.S. 38:2238, et seq
- 6) lease, rental, or purchases of telecommunications data processing systems, including equipment, and related services, by political subdivisions through a request for proposals; R.S. 38:2237
- 7) purchases of materials, equipment and supplies by school districts and schools through a qualified group purchasing organization; R.S. 38:2212.1(N)

- 8) purchase of materials, supplies, vehicles or equipment by the State, any levee district, levee drainage district, municipality, parish or other political subdivision of the state through an existing public contract of another political subdivision within one year of the opening of bids; R.S. 38:321.1; and
- 9) purchases of animals trained to perform special task, including but not limited to narcotics detection, bomb detection, arson investigation, and rescue techniques by: 1) Any local law enforcement agency for the principal purpose of aiding in the detection of criminal activity, enforcement of laws, or apprehension of offenders, and 2) Any local public safety agency for the purpose of search and rescue services.

On emergency situations, per Louisiana R.S. 38:2211(A)(5)(a), an emergency is an unforeseen mischance bringing with it destruction or injury of life or property or imminent threat of such destruction or injury. An emergency may also result from an order by judicial body to take any immediate action that requires construction or repairs absent compliance with the formalities of the Public Bid law, because of insufficient time to follow the advertising requirements as provided in R.S. 38:2212.

The emergency exception can be applied by the following (R.S. 38:2212(P):

- 1) The emergency has been certified by the public entity at a public meeting, and
- 2) The public bid law may be waived provided that notice was given to the public by publishing in the official journal within 10 days of declaring the public emergency.

On extreme emergency situations, per Louisiana R.S. 38:2211(A)(5)(b), an extreme emergency is a catastrophic event that causes the loss of ability to obtain a quorum of the members necessary to certify the emergency prior to making the expenditure to acquire materials or supplies or to make repairs necessary for the protection of life, property, or continued function of the public entity

In the event of an emergency or an extreme emergency, the political subdivision may make such purchases to deal with the emergency as may be required immediately. After the events requiring immediate emergency procurement, the president of the police jury, the president of the parish council, the mayor of the municipality, or a person designated to act on behalf of the governing authority of the political subdivision, shall declare that an extreme emergency exists and shall cause such declaration to be published in the official journal within ten days or as soon as practicable thereafter.

**Cause of Condition:** Unknown.

**Effect:** Noncompliance with components of public bid law.

**Recommendation:** The district needs to review the regular and emergency provisions of the public bid law and be aware of the requirements of those type of purchases.

**Response:** The District will implement the recommendation.

**Varnado Waterworks District, Louisiana**  
**Schedule of Prior Year Audit Findings**  
**For the Year Ended December 31, 2020**

**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

|  |                              |  |
|--|------------------------------|--|
| Material weaknesses identified?  | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Noncompliance material to the financial statements noted?                              | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |