

Mount Hermon Water District
of the
Parish of Washington, Louisiana
Franklinton, Louisiana

Annual Financial Statements

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

Mount Hermon Water District
Annual Financial Statements
As of and for the Year Ended December 31, 2020
(With Supplementary Information
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TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Accountant’s Review Report.....			4
Management’s Discussion and Analysis (Required Supplementary Information):			
Financial Highlights.....			7
Overview of Annual Financial Report.....			8
Financial Analysis.....			8
Condensed Statements of Net Position.....			9
Condensed Statements of Revenues, Expenses, and Changes in Net Position.....			10
Budgetary Highlights			11
Other Significant Trends and Account Changes			12
Capital Assets.....			13
Long Term Obligations and Future Economic Plans			14
Basic Financial Statements:			
Business-Type Financial Statements:			
Statement of Net Position.....	A		16
Statement of Revenues, Expenses, and Changes in Net Position.....	B		17
Statement of Cash Flows	C		18
Notes to the Financial Statements			20
Other Supplementary Information:			
Schedule of Revenues, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual		1	34
Schedule of Insurance Coverage.....		2	35
Schedule of Compensation Paid Board of Commissioners.....		3	36
Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Agency Head.....		4	37
Schedule of Water Rates and Schedule of Water Customers		5	38
Independent Accountant’s Report on Agreed-Upon Procedures.....			39
Louisiana Attestation Questionnaire			43

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INDEPENDENT ACCOUNTANT’S REVIEW REPORT

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

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

Management’s Responsibility for the Financial Statements

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

Accountant’s Responsibility

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

Accountant’s Conclusion

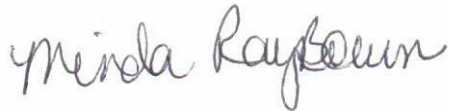
Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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



Minda Raybourn CPA

Franklinton, LA 70438

June 10, 2021

Management's Discussion and Analysis (Required Supplementary Information)

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

Introduction

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

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

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

Financial Highlights

- At December 31, 2020, total assets were \$1,659,647, and exceeded liabilities in the amount of \$824,201 (i.e., net position). Of the total net position, \$114,876 was unrestricted and available to support short-term operations.
- The District's operating income increased by \$2,434 due to a one percent increase or \$1,881 in water sales, a thirteen percent increase or \$640 in installation fees, a six percent decrease or \$340 of penalties, and seven percentage increase or \$253 other income.
- The District's operating expenses, other than depreciation expense, decreased by \$5,062 to \$100,128 as compared to \$105,190 for the prior fiscal year. The decrease is due primarily to a decrease of \$6,561 in utilities, a decrease of \$1,788 in other expenses, a decrease in bad debt expenses of \$1,498, a decrease in contract operations and maintenance of \$1,444 offset by increases of \$3,595 in professional fees, and \$2,369 in insurance expense.
- Total long-term debt decreased by \$41,152 in principal payments; there was no new issuance of bond debt. Total long term bonded debt was \$792,637 at December 31, 2020 as compared to \$833,789 at December 31, 2019.

Mount Hermon Water District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2020
(with December 31, 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 District's basic financial statements include the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector.

The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

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

Financial Analysis

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

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

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

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 313,876	\$ 323,948	\$ (10,072)	-3.11%
Capital Assets	1,345,771	1,357,187	(11,416)	-0.84%
Total Assets	<u>1,659,647</u>	<u>1,681,135</u>	<u>(21,488)</u>	-1.28%
Liabilities:				
Long-Term Debt Outstanding	792,637	833,789	(41,152)	-4.94%
Other Liabilities	42,809	38,252	4,557	11.91%
Total Liabilities	<u>835,446</u>	<u>872,041</u>	<u>(36,595)</u>	-4.20%
Net Position:				
Net Investment in Capital Assets	547,564	517,659	29,905	5.78%
Restricted for Capital Activity and Debt Service	161,761	157,565	4,196	2.66%
Unrestricted	114,876	133,870	(18,994)	-14.19%
Total Net Position	<u>\$ 824,201</u>	<u>\$ 809,094</u>	<u>\$ 15,107</u>	1.87%

The changes in the Condensed Statements of Net Position from December 31, 2019 to December 31, 2020 were the results of a decrease in capital assets due to depreciation expense of \$68,415. The District's Long-Term Debt Outstanding decreased by the principal payments of \$41,152. The total increase in net position for the year was \$15,107.

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

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

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 217,454	\$ 215,020	\$ 2,434	1.13%
Nonoperating Revenues	1,273	4,117	(2,844)	-69.08%
Total Revenues	<u>218,727</u>	<u>219,137</u>	<u>(410)</u>	-0.19%
Expenses:				
Depreciation Expense	68,415	66,661	1,754	2.63%
Other Operating Expense	100,128	105,190	(5,062)	-4.81%
Nonoperating Expense	35,077	36,759	(1,682)	-4.58%
Total Expenses	<u>203,620</u>	<u>208,610</u>	<u>(4,990)</u>	-2.39%
Changes in Net Position	15,107	10,527	4,580	43.51%
Beginning Net Position	809,094	798,567	10,527	1.32%
Ending Net Position	<u>\$ 824,201</u>	<u>\$ 809,094</u>	<u>\$ 15,107</u>	1.87%

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 Mount Hermon Water District is being conservatively managed.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased approximately one percent. Water sales decreased approximately \$1,881.

Total "Nonoperating Revenues" decreased by approximately \$2,844 primarily due to decreases in interest income.

Operating expenses, other than depreciation expense, decreased primarily from utilities and other miscellaneous expenses which decreased approximately \$6,561 and \$1,788, respectively, offset by increases in professional fees of \$3,595 and insurance expense of \$2,369.

Nonoperating expenses decreased due to interest expense decrease of \$1,682.

The District's net position increased by \$15,107 primarily due to increases in operating revenue offset by decreases in operating and nonoperating expenses offset by increases to depreciation expense. Water rates for the year ended December 31, 2020 increased \$1 to the base rates for both residential and commercial customers, effective January 1, 2020.

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

Budgetary Highlights

Mount Hermon Water District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 – Schedule of Revenues, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual", as supplementary information, following the footnotes to the financial statements.

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

	Budget Year ended December 31, 2020	Actual Year ended December 31, 2020	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 218,200	\$ 217,454	\$ (746)
Nonoperating Revenues	4,500	1,273	(3,227)
Total Revenues	<u>222,700</u>	<u>218,727</u>	<u>(3,973)</u>
Expenses:			
Depreciation Expense	72,000	68,415	3,585
Other Operating Expense	111,951	100,128	11,823
Nonoperating Expense	34,035	35,077	(1,042)
Total Expenses	<u>217,986</u>	<u>203,620</u>	<u>14,366</u>
Change in Net Position	<u>\$ 4,714</u>	<u>\$ 15,107</u>	<u>\$ 10,393</u>

Mount Hermon Water District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2020
(with December 31, 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

	December 31, 2020	December 31, 2019	Increase (Decrease)
Customers			
Residential	369	371	(2)
Commercial	24	24	-
Total Customers	<u>393</u>	<u>395</u>	<u>(2)</u>

Revenue and Expense Data Per Customer per Month

	December 31, 2020	December 31, 2019	Increase (Decrease)
Water Sales	\$ 42.90	\$ 42.28	\$ 0.62
Operating Revenues	46.11	45.36	0.75
Total Revenues	46.38	46.23	0.15
Operating Expenses	35.74	36.26	(0.52)
Total Expenses	43.18	44.01	(0.83)

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

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 December 31, 2020</u>	<u>Year Ended December 31, 2019</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 14,519	\$ 12,776	\$ 1,743
31-60 Days Past Due	2,729	1,973	756
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>17,248</u>	<u>14,749</u>	<u>2,499</u>
Allowance for Uncollectible Accounts	(825)	(825)	-
Net Accounts Receivable	<u>\$ 16,423</u>	<u>\$ 13,924</u>	<u>\$ 2,499</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2020, Mount Hermon Water District had \$1,345,771 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment for storage for water system equipment and supplies, and land owned by the District. The changes in capital assets are presented in the table below.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 3,890	\$ 3,890	\$ -	0.00%
Utility System	<u>2,474,918</u>	<u>2,417,919</u>	<u>56,999</u>	2.36%
Subtotal	2,478,808	2,421,809	56,999	2.35%
Less: Accumulated Depreciation	<u>(1,133,037)</u>	<u>(1,064,622)</u>	<u>(68,415)</u>	-6.43%
Net Capital Assets	<u>\$ 1,345,771</u>	<u>\$ 1,357,187</u>	<u>\$ (11,416)</u>	-0.84%

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

Long-Term Obligations

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

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

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

New bond requirements became effective March, 2015 for the 2013 series. For the fiscal year ending December 31, 2020, the bond debt coverage factor was 151 percent, which is above the percentage required by the bond covenant of 120 percent. See *Footnote 8 - Flow of Funds, Restrictions on Use*.

Future Economic Plans

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

Basic Financial Statements

Statement A

Mount Hermon Water District
Statement of Net Position
As of December 31, 2020
(With Comparative Totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 97,746	\$ 116,274
Receivables, Net :		
Accounts	16,423	13,924
Unbilled	9,643	9,867
Due From Other Governments	28	-
Prepaid Insurance and Other	2,032	2,039
Total Current Assets	<u>125,872</u>	<u>142,104</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents		
Customer Deposits	26,023	24,059
Bond Reserve Account - RUS	67,477	67,042
Bond Contingency Account - RUS	70,645	67,909
Bond Sinking Account	23,639	22,614
Total Restricted Assets	<u>187,784</u>	<u>181,624</u>
Property, Plant, and Equipment		
Land	3,890	3,890
Property, Plant and Equipment, Net	1,341,881	1,353,297
Total Property, Plant, and Equipment	<u>1,345,771</u>	<u>1,357,187</u>
Other Assets		
Utility Deposits	220	220
Total Other Assets	<u>220</u>	<u>220</u>
Total Assets	<u>1,659,647</u>	<u>1,681,135</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	10,044	7,293
Other Accrued Payables	1,172	1,161
Total Current Liabilities (Payable From Current Assets)	<u>11,216</u>	<u>8,454</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	26,023	24,059
Revenue Bonds Payable	43,147	41,065
Accrued Interest Bonds - RUS	5,570	5,739
Total Current Liabilities (Payable From Restricted Assets)	<u>74,740</u>	<u>70,863</u>
Long Term Liabilities:		
Bonds Payable	749,490	792,724
Total Long Term Liabilities	<u>749,490</u>	<u>792,724</u>
Total Liabilities	<u>835,446</u>	<u>872,041</u>
Net Position		
Net Investment in Capital Assets	547,564	517,659
Restricted for:		
Capital Projects and Debt Service	161,761	157,565
Unrestricted	114,876	133,870
Total Net Position	<u>\$ 824,201</u>	<u>\$ 809,094</u>

See accompanying notes and independent accountant's review report.

Statement B

Mount Hermon Water 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)

	2020	2019
Operating Revenues		
Water Sales	\$ 202,303	\$ 200,422
Installation Fees	5,640	5,000
Penalties	5,450	5,790
Other	4,061	3,808
Total Operating Revenues	217,454	215,020
Operating Expenses		
Bad Debts	817	2,315
Operations and Maintenance - Contract	58,432	59,876
Depreciation	68,415	66,661
Insurance	7,679	5,310
Mileage	6,000	6,000
Other	304	2,092
Professional Fees	9,375	5,780
Repairs and Maintenance	3,526	4,579
SCADA Expense	1,318	-
Utilities	12,677	19,238
Total Operating Expenses	168,543	171,851
Operating Income (Loss)	48,911	43,169
Nonoperating Revenues (Expenses)		
Interest Income	1,273	4,117
Interest Expense	(35,077)	(36,759)
Total Nonoperating Revenues (Expenses)	(33,804)	(32,642)
Change in Net Position	15,107	10,527
Total Net Position, Beginning	809,094	798,567
Total Net Position, Ending	\$ 824,201	\$ 809,094

See accompanying notes and independent accountant's review report.

Mount Hermon Water 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>
Cash Flows From Operating Activities		
Received From Customers	\$ 200,028	\$ 201,264
Received for Meter Deposit Fees	1,964	(395)
Other Receipts	15,151	14,598
Payments for Operations	<u>(97,387)</u>	<u>(109,169)</u>
Net Cash Provided by Operating Activities	<u>119,756</u>	<u>106,298</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Capital Acquisitions	(56,999)	(1,722)
Principal Proceeds from (Repayments for) Long Term Debt	(41,152)	(40,370)
Interest Payments for Long Term Debt	<u>(35,246)</u>	<u>(36,717)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(133,397)</u>	<u>(78,809)</u>
Cash Flows From Investing Activities		
Receipt of Interest	<u>1,273</u>	<u>4,117</u>
Net Cash Provided by Investing Activities	<u>1,273</u>	<u>4,117</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(12,368)	31,606
Cash and Cash Equivalents, Beginning of Year	<u>297,898</u>	<u>266,292</u>
Cash and Cash Equivalents, End of Year	<u>\$ 285,530</u>	<u>\$ 297,898</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 97,746	\$ 116,274
Cash and Cash Equivalents, Restricted	<u>187,784</u>	<u>181,624</u>
Total Cash and Cash Equivalents	<u>\$ 285,530</u>	<u>\$ 297,898</u>

(Continued)

See accompanying notes and independent accountant's review report.

Mount Hermon Water District
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 48,911	\$ 43,169
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	68,415	66,661
(Increase) decrease in Accounts Receivable	(2,303)	842
(Increase) decrease in Prepaid Insurance	7	(397)
Increase (decrease) in Accounts Payable	2,751	(3,538)
Increase (decrease) in Accrued Expenses	11	(44)
Increase (decrease) in Customer Deposits	1,964	(395)
Net Cash Provided (Used) by Operating Activities	\$ 119,756	\$ 106,298

(Concluded)

See accompanying notes and independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

Introduction

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

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

Construction of the water system plant and equipment for the water system was financed under a loan/grant program from the United States Rural Utilities Service (RUS) office, with construction completed in March, 1997. Mount Hermon Water District, as of December 31, 2020, serves 393 water customers. The District contracts the operation and maintenance of the water system, including billings of water customers, to an outside agent.

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Mount Hermon Water 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 assets, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

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 assets by the government that is applicable to a future reporting period, and *Deferred Inflows of*

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

Resources as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position*. 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, 2020.

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 is more fully described in *Footnote I – Long-Term 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.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

B. Cash and Cash Equivalents and Investments

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

C. Investments

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

The District uses the quoted market prices to estimate the fair value of the investments. None of the investments are reported at amortized cost. There is no involuntary participation in an external investment pool. At December 31, 2020, Mount Hermon Water District had no investments.

D. Inventories

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

E. Prepaid Items

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

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

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

<u>Description</u>	<u>Estimated Lives</u>
Utility System	20 to 40 Years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Effective for fiscal year 2019, the District no longer capitalizes interest during the construction period on a prospective basis as per GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

H. Compensated Absences

At December 31, 2020, the District did not have employees that accumulate or vest benefits.

I. Long-Term Obligations

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

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65. The District did not have any bond related costs in the year ending December 31, 2020.

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.

See independent accountant’s review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

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 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.

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

K. Comparative Data/Reclassifications

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

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

L. Extraordinary and Special Items

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

M. Estimates

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

2. Cash and Cash Equivalents

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

Demand Deposits	\$	60,161
Louisiana Asset Management Pool (LAMP)		225,369
		285,530
	\$	285,530

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

At December 31, 2020, the District has \$87,005 in deposits (collected bank balances), all consisting of demand deposits in one bank. These deposits are fully secured from risk by federal deposit insurance.

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

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

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. 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 in accordance with LA – R.S. 33:2955.

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

LAMP is an investment pool that, to the extent practical, invests in a manner consistence with GASB Statement No. 79. The following facts are relevant for investment pools:

1. Credit risk: LAMP is rated AAAM by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balance. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variance rate investments. The WAM for LAMP's total investments, as provided by LAMP, is 47 days as of December 31, 2020.
5. Foreign currency risk: Not applicable.

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

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. 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.

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.

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

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.

The District did not hold any investments at December 31, 2020.

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.

4. Receivables

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

	Year Ended December 31, 2020	Year Ended December 31, 2019	Increase (Decrease)
Accounts Receivable			
Current	\$ 14,519	\$ 12,776	\$ 1,743
31-60 Days Past Due	2,729	1,973	756
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>17,248</u>	<u>14,749</u>	<u>2,499</u>
Allowance for Uncollectible Accounts	<u>(825)</u>	<u>(825)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 16,423</u>	<u>\$ 13,924</u>	<u>\$ 2,499</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 \$9,643.

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

5. Restricted Assets

Restricted assets were applicable to the following at December 31, 2020:

Customer Deposits	\$	26,023
Bond Reserve		67,477
Bond Depreciation & Contingency		70,645
Bond Sinking		23,639
	\$	<u>187,784</u>

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

6. Capital Assets

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

	Beginning Balance 12/31/19	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/20
Capital Assets				
Land	\$ 3,890	\$ -	\$ -	\$ 3,890
Utility System	<u>2,417,919</u>	<u>56,999</u>	<u>-</u>	<u>2,474,918</u>
Total Capital Assets	2,421,809	56,999	-	2,478,808
Less Accumulated Depreciation	<u>(1,064,622)</u>	<u>(68,415)</u>	<u>-</u>	<u>(1,133,037)</u>
Total Capital Assets, Net	<u>\$ 1,357,187</u>	<u>\$ (11,416)</u>	<u>\$ -</u>	<u>\$ 1,345,771</u>

At December 31, 2020, The District expended \$21,670 for new service pumps and related installation, \$24,950 for waterline replacement at Silver Creek Campground, \$5,878 for SCADA equipment, and \$4,500 for waterline replacement on Glen Guy Road. The District did not have any asset disposals.

Depreciation expense for the fiscal year ending December 31, 2020, totaled \$68,415.

7. Long-Term Obligations

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

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
1996 Water Revenue Bond	\$ 476,789	\$ -	\$ (21,152)	\$ 455,637	\$ 22,147
Series 2013 Water Revenue Bond	<u>357,000</u>	<u>-</u>	<u>(20,000)</u>	<u>337,000</u>	<u>21,000</u>
Total Long-Term Debt	<u>\$ 833,789</u>	<u>\$ -</u>	<u>\$ (41,152)</u>	<u>\$ 792,637</u>	<u>\$ 43,147</u>

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

Bonds Payable as of December 31, 2020 are as follows:

	Bonds Payable	Due Within One
	End of Year	Year
Revenue Bond \$ 754,000 1996 Water Revenue Utility Bonds		
Dated 2/8/1996 due in monthly installments of principal and interest of		
\$ 3,702 through 2/6/2036 interest at 5.0%	\$ 455,637	\$ 22,147
Revenue Bond \$ 700,000 Series 2013 Water Revenue Bonds		
Dated 3/8/2013 due in semi-annual installments of principal and interest of		
\$17,000 to \$34,000 through 3/1/2033 interest at 2.95%	337,000	21,000
	\$ 792,637	\$ 43,147

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

The annual requirements to amortize all debt outstanding as of December 31, 2020, including interest payments of \$266,680 are as follows:

Year Ending 12/31/20	1996 RUS Water Revenue Bonds			Series 2013, Water Revenue Bonds			Total
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$ 22,124	\$ 22,302	\$ 44,426	\$ 21,000	\$ 11,264	\$ 32,264	\$ 76,690
2022	23,255	21,170	44,425	22,000	10,523	32,523	76,948
2023	24,445	19,980	44,425	22,000	9,764	31,764	76,189
2024	25,696	18,730	44,426	23,000	8,987	31,987	76,413
2025	27,011	17,415	44,426	24,000	8,177	32,177	76,603
2026 to 2030	157,251	64,877	222,128	133,000	27,583	160,583	382,711
2031 to 2035	175,855	21,079	196,934	92,000	4,829	96,829	293,763
	\$ 455,637	\$ 185,553	\$ 641,190	\$ 337,000	\$ 81,127	\$ 418,127	\$ 1,059,317

8. Flow of Funds, Restrictions on Use

As of December 31, 2020, Mount Hermon Water District had two Revenue Bonds. The first bond with the Rural Utilities Service (RUS) was issued at \$754,000 on February 8, 1996, at an interest rate of 5.0 percent. The second bond, Series 2013 Water Revenue Bonds, is dated 3/8/13 and was issued through the Department of Health and Hospitals (DHH) at an annual interest rate of 2.95% and an annual administrative fee of .5%, at a maximum principal amount, net of forgiveness, of \$490,000. Total interest expense from all water revenue bonds equaled \$35,077 for the year ended December 31, 2020. The gross

See independent accountant’s review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

revenue recognized during the current period was \$218,727.

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

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

New bond requirements became effective March, 2015 for the 2013 series. For the fiscal year ending December 31, 2020, the bond debt coverage factor was 151 percent, which is above the percentage required by the bond covenant of 120 percent.

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

The actual creation of a sinking fund was not required for the 1996 Rural Utilities Service (RUS) bonds since the District pays required bond installments directly to Rural Utilities Service, on a monthly basis. At December 31, 2020, Mount Hermon Water District had made the required monthly installments. For the Series 2013 Water Revenue Bonds, bond covenants require the creation of a Water Revenue Bond and Interest Sinking Fund to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds by transferring from the Revenue Fund to the regularly designated fiscal agent bank of the District, monthly in advance on or before the 20th day each month of each year a sum equal to the debt service requirement schedule provided by DHH. Total sinking fund requirement at December 31, 2020 was \$20,603; therefore, the Sinking Fund was fully-funded at December 31, 2020, at \$23,639.

- c) Bond covenants of the Series 2013 Water Revenues require the establishment of the “Water Revenue Debt Reserve Fund” (the Reserve Fund) containing separate accounts designated for the 1996 Rural Utilities Service (RUS) Water Revenue Bonds and the Series 2013 Water Revenue Bonds, as follows:

- 1) “Series 1996 Account”, containing approximately \$44,424 of revenues, heretofore deposited with respect to the outstanding parity bonds and which may be used solely to secure and make payments on the outstanding parity bonds to which there would otherwise be default. This account was fully funded at December 31, 2020, with a balance accumulated of \$44,424.
- 2) “Series 2013 Account” which shall secure the Bonds, and shall be funded in advance on or before the 20th day of each month of each year, commencing with the month

See independent accountant’s review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

following the delivery of the Bonds, with a sum at least equal to at least fifty percent (50%) of the amount to be paid into the Sinking Fund with respect to the Bonds, the payments in the Series 2013 Account to continue until there has been accumulated a sum equal to the Reserve Fund Requirement, if any, designated and established for such series of Additional Parity Bonds. The Reserve Fund Requirement is one-half of the maximum annual principal and interest requirements of the Bonds for any succeeding Bond Year. The requirement for the Reserve Fund for Series 2013 Water Revenue Bonds at December 31, 2020 was \$16,585. The Reserve Fund for Series 2013 was fully funded at December 31, 2020 at \$23,053.

- d) The 1996 Rural Utilities Service (RUS) bonds require the transfer from the Water Revenue Fund, the operating account of the District, monthly in advance on or before the 20th of each month the sum of \$191 per month. Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund. The District made all of the required deposits to the Depreciation and Contingency Fund for the 1996 Rural Utilities Service (RUS) bonds, maintaining a balance of \$70,645, at December 31, 2020.

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

- e) The District, in the original bond resolution also obligated itself to abide by the following covenants:
- 1) The District will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within fifteen days from the date on which such charges became delinquent.
 - 2) A ten percent penalty will be charged on all delinquent accounts, and interest at a reasonable rate as established by the District, as well as payment of a reasonable reconnect charge for the resumption of services.
 - 3) The District agrees to maintain the System in first class repair and working order and condition.
 - 4) The District will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.
 - 5) The District will maintain separate and correct records and accounts, and will have the books audited no later than three months after the end of the fiscal year.
 - 6) The District will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the District may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.
 - 7) The District will not, except as provided by this bond resolution, voluntarily create or cause to be created any debt, lien pledge, mortgage, assignment, or any other charges

See independent accountant's review report.

Mount Hermon Water District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with December 31, 2019 summarized comparative information)

having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security therefore.

- 8) That, to the extent permitted by law, the District will not grant a franchise to any utility for operation within the boundaries of the District.
- 9) In operation of the System, the District will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.

9. Restricted and Designated Net Position

At December 31, 2020, Mount Hermon Water District recorded \$161,761 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants and contracts with customers for meter deposits. Restricted Net Position is recorded net of any liability relating to those assets. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Water System Management

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

11. Litigation and Claims

There is no outstanding litigation at December 31, 2020.

12. COVID-19 Pandemic

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic and this pandemic has resulted in federal, state, and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders, and quarantining of people that may have been exposed to the virus.

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

13. Subsequent Events

Subsequent events have been evaluated by management through June 10 2021, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2020.

See independent accountant's review report.

Other Supplementary Information

Mount Hermon Water District
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2020
(With Comparative Amounts for the Year Ended December 31, 2019)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
Operating Revenues				
Water Sales	\$ 204,800	\$ 202,303	\$ (2,497)	\$ 200,422
Installation Fees	6,000	5,640	(360)	5,000
Penalties	6,000	5,450	(550)	5,790
Other	1,400	4,061	2,661	3,808
Total Operating Revenues	<u>218,200</u>	<u>217,454</u>	<u>(746)</u>	<u>215,020</u>
Operating Expenses				
Bad Debts	1,200	817	383	2,315
Operations and Maintenance - Contract	62,000	58,432	3,568	59,876
Depreciation	72,000	68,415	3,585	66,661
Insurance	10,000	7,679	2,321	5,310
Mileage	6,000	6,000	-	6,000
Other	2,651	304	2,347	2,092
Professional Fees	10,000	9,375	625	5,780
Repairs and Maintenance	1,800	3,526	(1,726)	4,579
SCADA Expense	-	1,318	(1,318)	-
Supplies	300	-	300	-
Utilities	18,000	12,677	5,323	19,238
Total Operating Expenses	<u>183,951</u>	<u>168,543</u>	<u>15,408</u>	<u>171,851</u>
Operating Income (Loss)	<u>34,249</u>	<u>48,911</u>	<u>(16,154)</u>	<u>43,169</u>
Nonoperating Revenues (Expenses)				
Interest Income	4,500	1,273	(3,227)	4,117
Interest Expense	(34,035)	(35,077)	(1,042)	(36,759)
Total Nonoperating Revenues	<u>(29,535)</u>	<u>(33,804)</u>	<u>(4,269)</u>	<u>(32,642)</u>
Change in Net Position	4,714	15,107	10,393	10,527
Total Net Position, Beginning	<u>809,094</u>	<u>809,094</u>	<u>-</u>	<u>798,567</u>
Total Net Position, Ending	<u>\$ 813,808</u>	<u>\$ 824,201</u>	<u>\$ 10,393</u>	<u>\$ 809,094</u>

See independent accountant's review report.

Mount Hermon Water District
Schedule of Insurance
For the year ended December 31, 2020

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>	
Ohio Casualty - Policy # BKO57636803	General Aggregate Limit (other than Products / Completed Operations)	\$ 2,000,000	2/1/2020 to	2/1/2021
	Products / Completed Operations Aggregate Limit	2,000,000		
	Personal and Advertising Injury	1,000,000		
	Each Occurrence Limit	1,000,000		
	Damage to Rented Premises	100,000		
	Medical Expenses	5,000		
	Building	14,062	2/1/2020 to	2/1/2021
	Personal Property	1,365		
Western Surety Company Policy # 68463190	Public Official Position Schedule Bond:		2/1/2020 to	2/1/2021
	President	50,000		
	Secretary-Treasurer	50,000		
Liberty Mutual Insurance- Policy # BMW57901091	Equipment Floater for Water Pump and Generator - as Scheduled	110,000	7/19/2020 to	7/19/2021
Ohio Casualty Insurance- Policy # BKO57636803	Director & Officers Liability	1,000,000	2/1/2020 to	2/1/2021

See independent accountant's review report.

Mount Hermon Water 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 Received</u>	<u>Term Expiration</u>
Avant Vernon, President (985) 877-5824	27285 Mt. Pisgah Road Mount Hermon, LA 70450	-	12/31/23
Rochelle Brumfield, Vice President (985) 839-6144	37770 Thomas Cryer Road Mount Hermon, LA 70450	-	12/31/23
Jim Miller, Secretary (985) 335-7030	27159 Pleasant Hill Rd. Mount Hermon, LA 70450	-	12/31/23
Robert Klerk, Board Member (985) 773-9954	37595 Hwy 1055 Mount Hermon, LA 70450	-	12/31/21
David Brooks, Board Member (985) 515-2664	36365 Hwy 38 Mount Hermon, LA 70450	-	12/21/23

See independent accountant's review report.

Mount Hermon Water District
Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Agency Head
For the year ended December 31, 2020

Agency Head Name: Avant Vernon, President

Purpose	Compensation Received
Travel Allowance	\$ 1,200
Total	\$ 1,200

See independent accountant's review report.

Mount Hermon Water District
Schedule of Water Rates
For the year ended December 31, 2020

Water	
Residential Rates	Commercial Rates
\$ 25.00 - First 2,000 Gallons	\$ 37.00 - First 5,000 Gallons
4.50 - Per 1,000 Gallons of Water over 2,000 Gallons	4.50 - Per 1,000 Gallons of Water over 5,000 Gallons

Mount Hermon Water District
Schedule of Water Customers
For the year ended December 31, 2020

	December 31, 2020	December 31, 2019	Increase (Decrease)
Customers			
Residential	369	371	(2)
Commercial	24	24	-
Total Customers	393	395	(2)

See independent accountant's review report.

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

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

Member
AICPA

Member
LCPA

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

I have performed the procedures enumerated below, which were agreed to by Mount Hermon Water District and the Louisiana Legislative Auditor (the specified parties), on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2020, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The District's management is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Public Bid Law

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

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

Code of Ethics for Public Officials and Public Employees

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

Management provided me with the requested information.

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

The District has no employees.

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

The District has no employees. None of the immediate family members appeared on the District's vendor payment listing for December 31, 2020.

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

Management provided the requested information. None of the businesses of board members, employees, and board members' and employees' immediate families appeared as vendors on the list of disbursements for year ended December 31, 2020.

Budgeting

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

Management provided me with a copy of the original budget for 2020 and 2021. The budget for 2020 was amended.

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

The original budget for 2020 was approved at the October 29, 2019 meeting. The budget for 2021 was approved at the October 27, 2020 meeting. The minutes did not reflect the adoption of the amended 2020 budget.

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

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

Accounting and Reporting

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

Six disbursements were randomly selected for the fiscal year December 31, 2020.

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

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

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

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

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

The District has a contract for operations and maintenance with French Settlement Water company, Inc. (FSWC). Per the contract with FSWC, FSWC will perform all accounts payable and maintain an appropriate check register. The staff of FSWC will prepare the check and submit to the Chairman of FSWC for approval and signature. At each quarterly meeting, FSWC will present an accounts payable listing to the District for the board's approval. Review of the minutes for 2020 for the selected disbursements reflected the board's approval.

Meetings

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

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

Debt

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

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

Advances and Bonuses

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

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

State Audit Law

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

The District's December 31, 2019 report was due on June 30, 2020, and was submitted timely.

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

The District did not enter into any contracts that utilized state funds for the year ended December 31, 2020. Further, the District received no state funds for the year ended December 31, 2020.

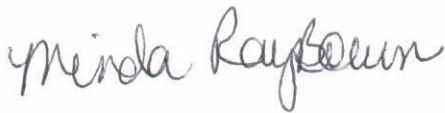
Prior-Year Comments

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

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

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

The purpose of this report is solely to describe the scope of testing performed on the District’s compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Minda Raybourn CPA
Franklinton, LA
June 10, 2021

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

July 23, 2021

Minda B. Raybourn CPA LLC

820 11TH Avenue

Franklinton, LA 70438

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of December 31, 2020 and for the years then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Public Bid Law

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

Yes [X] No []

Code of Ethics for Public Officials and Public Employees

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

Yes [X] No []

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

Yes [X] No []

Budgeting

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

N/A Yes [] No []

Accounting and Reporting

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

Yes [X] No []

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

Yes [X] No []

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

Yes [X] No []

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

Yes [X] No []

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

Yes [X] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.
Yes [X] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.
Yes [X] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.
Yes [X] No []

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.
Yes [X] No []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.
Yes [X] No []

We have evaluated our compliance with these laws and regulations prior to making these representations.
Yes [X] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.
Yes [X] No []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.
Yes [X] No []

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.
Yes [X] No []

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.
Yes [X] No []

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

Arant Vernon President 07-27-2021 Date