

LAKE LIVINGSTON WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

TABLE OF CONTENTS

Independent Auditors' Report.....	3
Financial Statements:	
Statements of Financial Position	5
Statements of Activities	7
Statements of Cash Flows.....	8
Notes to Financial Statements	9
Supplementary Information:	
Schedule of Water Usage Details and Statistics	14

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lake Livingston Water Supply Corporation

We have audited the accompanying financial statements of Lake Livingston Water Supply Corporation (a Texas nonprofit corporation) which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

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 State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 Corporation'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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of Lake Livingston Water Supply Corporation as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Lake Livingston Water Supply Corporation as a whole. The supplementary information in the accompanying *Schedule of Water Usage Details and Statistics* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lufkin, Texas
March 25, 2021


CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS

LAKE LIVINGSTON WATER SUPPLY CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1 467 383	\$ 784 441
Accounts Receivable:		
Trade (net of allowance for doubtful accounts of \$37,966 for 2020 and 2019)	757 651	787 878
Prepaid expenses	133 323	158 320
Inventory	241 184	210 535
TOTAL CURRENT ASSETS	2 599 541	1 941 174
Reserve Funds:		
Cash and cash equivalents	3 366 605	3 240 617
TOTAL RESERVE FUNDS	3 366 605	3 240 617
Property, Plant and Equipment:		
Land	924 588	924 588
Buildings	1 722 104	1 772 104
Water supply and distribution	35 678 281	35 496 805
Transportation equipment	723 947	715 441
Office furniture and equipment	181 674	181 674
Construction in progress	225 354	119 692
TOTAL PROPERTY, PLANT AND EQUIPMENT	39 505 948	39 210 304
Less: Accumulated depreciation	(15 787 197)	(14 974 544)
TOTAL NET PROPERTY, PLANT AND EQUIPMENT	23 718 751	24 235 760
Other Assets:		
Investments - CoBank	235 893	256 908
TOTAL OTHER ASSETS	235 893	256 908
TOTAL ASSETS	\$ 29 920 790	\$ 29 674 459

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

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 50 423	\$ 180 027
Accrued liabilities	219 765	236 251
Customer deposits	224 976	221 401
Current portion of long-term debt	<u>1 125 607</u>	<u>1 122 169</u>
TOTAL CURRENT LIABILITIES	<u>1 620 771</u>	<u>1 759 848</u>
Long-Term Liabilities:		
Long-term debt	<u>15 810 901</u>	<u>16 896 933</u>
TOTAL LONG-TERM LIABILITIES	<u>15 810 901</u>	<u>16 896 933</u>
TOTAL LIABILITIES	<u>17 431 672</u>	<u>18 656 781</u>
Net Assets:		
Membership certificates	<u>683 800</u>	<u>670 900</u>
Unrestricted Net Assets:		
Reserved	3 366 605	3 240 617
Unreserved	<u>8 438 713</u>	<u>7 106 161</u>
TOTAL UNRESTRICTED NET ASSETS	<u>11 805 318</u>	<u>10 346 778</u>
TOTAL NET ASSETS	<u>12 489 118</u>	<u>11 017 678</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29 920 790</u>	<u>\$ 29 674 459</u>

LAKE LIVINGSTON WATER SUPPLY CORPORATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Income:		
Water revenues	\$ 5 779 060	\$ 5 540 703
Tap fees	115 246	102 850
Late charges, and return check charges	66 488	85 957
Disconnect fees	27 250	38 150
Other operating income	69 145	42 171
TOTAL OPERATING INCOME	6 057 189	5 809 831
Operating Expenses:		
Annual meeting	527	1 278
Bad debts	35 888	39 292
Bank fees	1 020	558
Board of Directors expenses and fees	36 231	37 734
Chemical usage	92 287	91 003
Other employee benefits	3 157	409
Communications and telephone	39 626	32 847
Commitment fees	1 017	1 014
Computer operations	61 843	67 239
Customer relations	11 454	12 503
Depreciation	879 685	880 362
Dues and subscriptions	8 479	11 790
Education	5 505	20 087
Flower fund	640	564
Insurance	452 040	397 732
Inventory adjustments	536	(6 735)
Laboratory testing	86 803	100 157
Legal and professional services	84 195	129 530
Meals and travel	38	21
Office supplies	23 862	23 147
Operational fees	28 354	28 135
Other	45 293	20 226
Payroll taxes	141 564	131 222
Penalties and fines	5 646	(2 134)
Pension - 401(k)	17 646	14 937
Postage	35 220	48 169
Repairs and maintenance	526 937	671 363
Salaries and wages	1 811 222	1 720 521
Uniform services	5 670	3 634
Utilities	200 391	200 748
Vehicle	125 758	152 142
Water purchases and standby fees	82 760	99 125
Water production fees	17 396	25 708
TOTAL OPERATING EXPENSES	4 868 690	4 954 328
OPERATING INCOME (LOSS)	1 188 499	855 503
Other Income (Expenses):		
Dividend income	31 542	58 215
Grant proceeds	10 000	-
Interest income	8 620	7 368
Interest expense	(208 095)	(244 101)
Loan forgiveness income	423 805	-
Other income	4 169	1 116
TOTAL OTHER INCOME (EXPENSES)	270 041	(177 402)
CHANGE IN NET ASSETS	1 458 540	678 101
Net assets, beginning of year	10 346 778	9 668 677
NET ASSETS, END OF YEAR	\$ 11 805 318	\$ 10 346 778

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

LAKE LIVINGSTON WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash received from members	\$ 6 087 416	\$ 5 895 902
Cash paid for payroll and related taxes	(1 989 348)	(1 881 865)
Cash paid to suppliers for operating expenses	(2 153 829)	(2 140 930)
Interest, dividends and grants received	478 137	66 699
Interest paid	(162 110)	(198 256)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2 260 266	1 741 550
Cash Flows from Investing Activities:		
Cash payments for the purchases of fixed assets	(374 879)	(391 340)
Cash proceeds from the disposition of property	12 203	45 461
Proceeds from retirements of investments	34 995	35 889
Stock dividends	(13 980)	(16 130)
NET CASH (USED) BY INVESTING ACTIVITIES	(341 661)	(326 120)
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	433 805	-
Forgiveness of loan	(423 805)	-
Principal payments on long-term debt	(1 136 150)	(1 132 306)
Increase in membership fees	12 900	10 000
Increase (decrease) in customer deposits	3 575	9 100
NET CASH (USED) BY FINANCING ACTIVITIES	(1 109 675)	(1 113 206)
NET INCREASE IN CASH AND CASH EQUIVALENTS	808 930	302 224
Cash and cash equivalents, beginning of year	4 025 058	3 722 834
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4 833 988	\$ 4 025 058
Reconciliation of Change in net assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 1 458 540	\$ 678 101
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization - Debt issue costs	43 556	43 556
Depreciation	879 685	880 362
(Gain) loss on disposition of assets	-	-
(Increase) decrease in accounts receivable and unbilled revenue	30 227	86 071
(Increase) decrease in prepaid expenses	24 997	(2 377)
(Increase) decrease in inventory	(30 649)	(20 194)
Increase (decrease) in accounts payable	(129 604)	88 927
Increase (decrease) in accrued liabilities	(16 486)	(12 896)
TOTAL ADJUSTMENTS	801 726	1 063 449
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2 260 266	\$ 1 741 550

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

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Lake Livingston Water Supply Corporation (the "Corporation") is a member-owned non-profit corporation incorporated pursuant to the provisions of Texas Water Code Chapter 67, for the purpose of furnishing a potable water. The Corporation provides water to 7,004 members in Polk, Hardin, Liberty, San Jacinto, Trinity, Walker, and Tyler County areas. The Corporation has 73 water plants serving 112 subdivisions. The Corporation's water quality is regulated by the Texas Commission on Environmental Quality ("TCEQ").

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles, in all material respects.

Cash and Cash Equivalents

Cash and cash equivalents represent all cash on hand and in banks and all short-term, highly liquid investments that are readily convertible to known amounts of cash within three months or less.

Accounts Receivable

Accounts receivable are carried at cost. The Corporation uses the allowance method to account for uncollectible accounts. Receivables from employees and others not incurred while providing water service is reported as other receivables on the balance sheet. There was approximately \$38,000 of receivables 90 days or more past due at December 31, 2020 and 2019, shown in the allowance account. Accounts deemed uncollectible are offset with the respective customer deposit and any amount remaining is charged off as a bad debt.

Inventory

Inventory represents spare meters and supplies used in maintenance and operations and is carried at cost, which is considered to approximate lower of cost or net realizable value on a first in first out basis. As inventory is used, it is expensed to operations.

Property and Equipment

Property, plant, and equipment are recorded at cost. Major renewals and betterments including the original cost of construction or installation, the cost of contracted services, direct labor and materials, and appropriate overhead items are charged to the property accounts while replacements, maintenance and repairs which do not extend the life of the respective assets are expensed currently.

Property, plant, and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Construction in progress is accumulated in an asset account "construction in progress" until such time as the additions to plant and equipment are complete and placed in service. Upon placing the asset in service it is added to the appropriate fixed asset account and depreciated. The corporation capitalizes interest amounts incurred due to long-term construction to the assets being constructed. These costs are included in construction in progress until the asset is placed in service.

Depreciation

For financial reporting purposes, provisions for depreciation of utility plant are determined using the straight-line method at rates applied to individual classes of property in accordance with depreciable lives established by the TCEQ. Depreciation of non-utility property and equipment is recorded using various straight-line methods. Depreciation lives are as follows:

Water supply and distribution system	5 - 20 years
Buildings	30 years
Office furniture and equipment	5 - 7 years
Transportation	5 years

Investments

Investment in CoBank is accounted for using the original cost. This method results in carrying amount that approximates the fair value due to the investment in CoBank being a condition of the note payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code of 1986 and no provision for federal income tax has been made in the accompanying financial statements. Financial Accounting Standards Board Codification Section 740 requires recognition, measurement and disclosure of uncertain tax positions. The Corporation currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has not determined that any tax positions require an accrual based on current standards of accounting.

Comprehensive Income

The Corporation has no items of comprehensive income other than income from normal operations; therefore, comprehensive income is equal to net income and no statement of comprehensive income is presented.

Revenue Recognition

The Corporation adopted the guidance in ASC 606 using the modified retrospective method. The Corporation performed an analysis of the cumulative effect of initially applying the new standard to the opening balance of retained earnings, and determined that because it incurs no significant costs associated with acquiring a contract with customers and offers little to no incentives requiring deferral over the lives of uncompleted contracts that there was no material impact on previously reported balances. As a result, no adjustment was recorded. Following the adoption of the new standard, the Corporation's revenue recognition of its contracts with customers remains materially consistent with its historical practice. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Corporation's policies with respect to its various revenue streams are detailed below. In general, the Corporation applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Gross revenues for water sales to retail customers, who are members of the Corporation, are recognized as the Corporation transfers the promised water to the customer. The Corporation's performance obligation with the customer is satisfied over time.

Variable components of transaction price, such as late fees, are not recognized until uncertainty around the Corporation's right to charge them are resolved. Because the Corporation bills its customers monthly as water is consumed and because pricing is reflective of market conditions and value delivered to the customer, management has elected to apply the invoicing practical expedient to recognize revenue.

The Corporation accrues for revenues to the extent deliveries have occurred but for which a bill has not been issued. The amount of estimated revenue accrued would represent the revenue associated with the water consumed by the members in the current month, but not billed until the following month.

Accounts receivable represents sales of water and other charges made to members. They are recorded at the amount billed less an allowance for uncollectible accounts. An allowance is provided for accounts which management estimates there is doubt as to their collections (allowance for bad debts). This estimate is based on knowledge of particular customers as well as historical losses on accounts. The Corporation does not assess interest on past due accounts receivable. Approximately \$43,680 and \$32,036 of accounts receivable were past due more than 60 days at December 31, 2020 and 2019, respectively.

NOTE B - LONG-TERM DEBT

At December 31, 2020 and 2019, the Corporation was liable for the following long-term debt:

	2020	2019
Advances on CoBank revolving line of credit.	\$ 600 000	\$ 600 000
Single advance term loan of \$1,642,826 from CoBank to refinance the United States Department of Agriculture Rural Utilities Service (USDA) loan for capital improvements, due April 20, 2026; principal and interest payable monthly, variable interest; secured by all real and personal property of the Corporation.	778 945	915 096
Multiple advance water system revenue bonds, taxable series 2007, issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2039 with first maturity due in December, 2010; callable at 100 on December 1, 2017; interest at 0%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation; \$17,500,000 total approved issue; \$710,086 available for issue at December 31, 2018.	13 645 000	14 500 000
Single advance water system revenue bonds taxable series 2013, \$3,130,000 issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2034 with first maturity due in December 2015; callable at 100 on December 1, 2023; interest at 0.95-4.73%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation.	2 580 000	2 715 000
TOTAL NOTES PAYABLE	17 603 945	18 730 096
Less current maturities	(1 125 607)	(1 122 169)
Less debt issue costs	(667 437)	(710 994)
	\$ 15 810 901	\$ 16 896 933

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - LONG-TERM DEBT - CONTINUED

The Corporation has a \$1,000,000 revolving line of credit with CoBank to finance the operating needs of the Corporation. The line of credit is a supplement to the master loan agreement dated April 1, 1997, bears interest at a variable rate and matures March 1, 2021 and was extended for an additional year before the date of the audit report. The Corporation had a balance of \$600,000 drawn on the line as of December 31, 2020.

The CoBank notes contain various covenants including but not limited to the maintenance of certain debt service and operating ratios, future incurrence of debt or long-term leases, the maintenance of a debt cash reserve, and changes in the corporate structure. In the event the Corporation fails to comply with these covenants and other restrictions, it could be in default under the agreements, and substantially all of its debt maturities could be accelerated. In addition, if the Corporation prepays all or any portion of the notes, prepayment penalties will be assessed by CoBank.

The covenant with CoBank relating to the reserve cash account requires the Corporation to establish and maintain a reserve balance of \$150,000. CoBank has a security interest in these accounts and, in the event of default, the right to claim these funds. As of December 31, 2020 the balance in the reserve account was \$175,572 and is included in reserve funds on the accompanying statement of financial position.

The loan agreement with CoBank requires the Corporation to purchase non-voting participation certificates in CoBank. Equity is earned through patronage dividends and can be redeemed by CoBank after the loan is paid in full. These dividends are accrued annually using an estimate provided by CoBank; estimated dividends for 2020 and 2019 were approximately \$9,344 and \$9,750, respectively. The Corporation held \$235,893 and \$256,908 of patronage certificates at December 31, 2020 and 2019, respectively. These are included in investments on the accompanying statements of net position.

The 2007 water system revenue bond order with the Texas Water Development Board requires the maintenance of a reserve fund in an amount at least equal to the average annual debt service requirements of the bonds and any additional bonds issued. The reserve is to be funded over a 60-month period with monthly deposits of \$9,722 beginning October 25, 2007. At December 31, 2020, the Corporation had deposited the required reserve to-date of \$730,487, shown as reserve funds on the accompanying balance sheet. The bond order also requires that all funds and reserve funds established pursuant thereto will be secured by a pledge by a financial institution of general obligations of the United States or obligations unconditionally guaranteed by the United States or be invested as provided in the Public Funds Investment Act Chapter 2256, Texas Government Code (PFIA). As of December 31, 2020, the reserve funds were invested in interest-bearing transaction and certificate of deposit accounts in financial institutions the accounts are 100% insured by the Federal Deposit Insurance Corporation and as such are authorized investments under the PFIA.

Debt issue costs of \$922,263 were incurred in connection with the series 2007 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$1,055,000. They are being amortized to interest expense over a 30-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. During 2020 and 2019, approximately \$31,300 was amortized to interest expense.

Debt issue costs of \$244,104 were incurred in connection with the series 2013 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$3,130,000. Debit issues costs are being amortized to interest expense over a 21-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. During 2020 and 2019, approximately \$12,200 was amortized to interest expense.

The 2013 water system revenue bond order with the Texas Water Development Board requires the maintenance of escrow accounts regarding the obligations of the 2013 series bonds and loan forgiveness grant. The escrow accounts are to be maintained at a bank on behalf of the Corporation and TWDB and shall not be commingled with any other accounts or with any other proceeds or funds. The escrowed funds are held for the purpose of replacing existing water meters (Note G) and amounts shall be disbursed in accordance with the bond order and solely upon written authorization from the TWDB. The funds in escrow are to be held in an authorized institution and invested in accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256 and Public Funds Collateral Act, Texas Government Code, Chapter 2257(PFIA). Accordingly, at December 31, 2020, the escrowed funds were invested in short term cash management funds which are invested in U.S. Government obligations, which qualify as permissible investments under the PFIA. The escrowed funds amounted to \$1,591,892 and \$1,651,657 at December 31, 2020 and 2019, respectively, and is included in reserve funds on the accompanying statements of net position.

Approximate maturities of long-term debt principal at December 31, 2020 for the next five years are as follows:

	NOTES	REVENUE BONDS	LINE OF CREDIT	TOTAL
Fiscal Years Ending:				
December 31, 2021	\$ 130 607	\$ 995 000	\$ -	\$ 1 125 607
December 31, 2022	134 137	1 000 000	600 000	1 734 137
December 31, 2023	137 762	1 005 000	-	1 142 762
December 31, 2024	141 486	1 010 000	-	1 151 486
December 31, 2025	145 310	1 015 000	-	1 160 310
Thereafter	89 643	11 200 000	-	11 289 643
TOTALS	\$ <u>778 945</u>	\$ <u>16 225 000</u>	\$ <u>600 000</u>	\$ <u>17 603 945</u>

LAKE LIVINGSTON WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - EMPLOYEE BENEFIT PLANS

During 1998, the Corporation established a 401(k) retirement plan for the benefit of substantially all of its employees. The plan is a salary reduction plan. Under the plan and trust document, the employee may elect to reduce their salary and contribute to the plan. In 2007, the plan was amended to require employer matching contributions. Employer contributions are 35% of the first 6% of the respective employees' salary reduction. The Corporation may elect to make a discretionary contribution to the plan. For the years ended December 31, 2020 and 2019, the Corporation contributed \$17,646 and \$14,937 to the plan, respectively.

For the year ended December 31, 2020 and 2019, the Corporation paid approximately \$335,000 and \$293,000 in health insurance premiums for the employees, respectively. This amount is included in insurance expense on the accompanying income statement.

NOTE D - CONCENTRATIONS

Substantially all of the Corporations revenue is derived from water sales to its members in Polk County, Texas and surrounding counties. The economic conditions in these areas have a large effect on the results of operations of the Corporation.

NOTE E - MEMBERSHIP CERTIFICATES

A summary of changes in membership certificates follows:

	2020	2019
Balance - Beginning of year	\$ 670 900	\$ 660 900
Net additions	12 900	10 000
BALANCE - END OF YEAR	\$ 683 800	\$ 670 900

NOTE F - COMMITMENTS AND CONTINGENCIES

Raw Water Supply Contract

In August, 2007, the Corporation entered into a "Raw Water Supply Contract" with the Trinity River Authority of Texas (the Authority). The purpose of the contract is to provide an additional source of water supply for the Corporation. The basic terms of the contract provide the Corporation with the right to purchase raw water from Livingston Reservoir at the Authority's rates in effect over the following periods and in the following amounts:

FISCAL YEARS	AVERAGE DAILY AMOUNTS	TOTAL ANNUAL AMOUNTS IN ACRE-FEET (AF)
2016 - 2020	0.767 MGD	859 AF/Year
2021 - 2025	0.797 MGD	893 AF/Year
2026 - 2030	0.815 MGD	913 AF/Year
2031 - 2035	0.833 MGD	933 AF/Year
2036 - 2040	0.852 MGD	954 AF/Year

The acronym "MGD" means millions of gallons per day and the acronym "AF" means acre-feet.

The Corporation did not purchase any raw water in 2020 or 2019.

The contract also provides for the Corporation to pay annual standby fees to the Authority that are calculated pursuant to formulas based upon the amount of water that the Authority is obligated to sell to the Corporation on each annual basis. Standby fees are assessed whether or not the Corporation purchases any water. During 2020 and 2019 the Corporation incurred approximately \$82,000 in standby fees.

The contract expires on December 1, 2040.

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

SUPPLEMENTARY INFORMATION

LAKE LIVINGSTON WATER SUPPLY CORPORATION
 SCHEDULE OF WATER USAGE DETAILS AND STATISTICS
 December 31, 2020

	<u>2020</u>	<u>2019</u>
Total Gallons of Water Pumped	<u>567 608 000</u>	<u>585 633 000</u>
Total Gallons of Water Sold	<u>253 103 000</u>	<u>246 687 000</u>
Total Gallons of Water Used for Flushing Lines	<u>14 066 013</u>	<u>27 537 572</u>
Total Number of Active Connections	<u>7 221</u>	<u>7 140</u>
Average Consumption per Connection	<u>35 049</u>	<u>34 551</u>
Water Loss Due to Flushing Lines	<u>2.5%</u>	<u>4.7%</u>
Total Water Loss Percentage	<u>55.4%</u>	<u>58.0%</u>

See independent auditors' report.