

**SOUTHWEST OUACHITA WATERWORKS, INC.**  
**West Monroe, Louisiana**

**Financial Statements**  
**With Independent Auditor's Report**  
**As of and for the Year Ended**  
**December 31, 2020**

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

Financial Statements  
With Independent Auditor's Report  
As of and for the Year Ended  
December 31, 2020

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*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Auditor's Report**

BOARD OF DIRECTORS  
SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

**Report on the Financial Statements**

I have audited the accompanying financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year 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 States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



BOARD OF DIRECTORS  
SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana  
Independent Auditor's Report

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

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Ouachita Waterworks, Inc., as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head, the Schedule of Prior Year Findings, and the Schedule of Insurance Policies in Force are presented for the purpose of additional analysis and are 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 my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head, the Schedule of Prior Year Findings, and the Schedule of Insurance Policies in Force are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 16, 2021, on my consideration of Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southwest Ouachita Waterworks Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana  
February 16, 2021

**FINANCIAL STATEMENTS**

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

STATEMENT OF FINANCIAL POSITION  
December 31, 2020

**ASSETS**

## Current assets:

Cash	\$59,136
Accounts receivable (net of allowance for uncollectible accounts)	<u>220,390</u>
Total current assets	279,526
Cash with contractual restrictions/board designations	1,464,655
Property, plant, and equipment (net of accumulated depreciation)	<u>6,291,074</u>

## TOTAL ASSETS

\$8,035,255**LIABILITIES AND NET ASSETS**

## Current liabilities:

Accounts and retainage payable	\$42,454
Accrued interest payable	15,718
Customer meter deposits	131,192
Current portion of loans payable	<u>265,410</u>
Total current liabilities	454,774
Long-term liabilities - loans payable	<u>3,561,698</u>
Total liabilities	4,016,472
Net assets without donor restrictions	<u>4,018,783</u>

## TOTAL LIABILITIES AND NET ASSETS

\$8,035,255

See accompanying notes.

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020

<b>Operating Revenues:</b>	
Water fees	\$1,876,777
Meter installation fees	21,200
Late charges	52,271
Reconnection and tamper fees	40,785
Other revenue	4,900
Total operating revenues	<u>1,995,933</u>
<b>Operating Expenses:</b>	
Accounting	6,409
Auto expense	29,567
Bad debts and collection expense	13,194
Bank charges	28,143
Billing expense	48,057
Chemicals and carbon replacement	209,925
Commissioners fees	17,550
Contract labor	108,226
Depreciation	296,034
Employee health insurance	54,836
Installations - labor and material	24,133
Insurance	56,918
Janitorial service	4,600
Lab testing	5,542
Maintenance	8,469
Miscellaneous	28,333
Office supplies	22,955
Payroll taxes	30,151
Permits and licenses	2,475
Postage	799
Repairs	180,642
Salaries	386,409
Utilities	140,878
Total operating expenses	<u>1,704,245</u>
<b>Operating Income</b>	<u>291,688</u>
<b>Non-Operating Revenue (Expenses):</b>	
Lease income	4,510
Interest income	3,363
Interest expense	(94,715)
Total non-operating revenue (expenses)	<u>(86,842)</u>
<b>Increase in Net Assets</b>	204,846
<b>Net Assets at Beginning of Year</b>	<u>3,813,937</u>
<b>Net Assets at End of Year</b>	<u><u>\$4,018,783</u></u>

See accompanying notes.



SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	<u>\$204,846</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	296,034
Increase in accounts receivable	(3,877)
Decrease in accounts payable	(7,289)
Decrease in payroll taxes payable	(17)
Increase in customer deposits	11,297
Lease income	(4,510)
Interest income	(3,363)
Interest expense	94,715
Total adjustments	<u>382,990</u>
Net cash provided by operating activities	<u>587,836</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal on long-term debt	(174,000)
Interest on long-term debt	(94,754)
Purchase and construction of capital assets	(299,514)
Loan proceeds	101,510
Net cash used by financing activities	<u>(466,758)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Lease income	4,510
Interest income	3,363
Net cash provided by investing activities	<u>7,873</u>

**NET INCREASE IN CASH**

128,951

**CASH AT BEGINNING OF YEAR**1,394,840**CASH AT END OF YEAR**\$1,523,791**Reconciliation of cash per statement of cash flows to  
cash per statement of financial position:**

Cash	\$59,136
Cash with contractual restrictions/board designations	1,464,655
Total cash	<u><u>\$1,523,791</u></u>

See accompanying notes.



SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

NOTES TO THE FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2020

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**A. NATURE OF ACTIVITIES**

Southwest Ouachita Waterworks, Inc., (“ the water system”) is a nonprofit organization domiciled in West Monroe, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Southwest Ouachita Waterworks, Inc. provides water to approximately 3,452 members residing within the territorial boundaries of the water system and has 10 employees.

**B. RECEIVABLES**

Accounts receivable consist of amounts due from members for water service provided prior to year end. Receivables are reported net of an allowance for uncollectible accounts that is an estimate based on historical collection percentages and management’s evaluation of the amount of outstanding receivables that are considered uncollectible. Water service is cut-off for customers with two months water service in arrears. Past due accounts are written off when they are considered uncollectible by management.

**C. FIXED ASSETS**

The cost of the original water system, major improvements to the water system, land, construction in progress, and vehicles and equipment costing \$500 or more are capitalized and recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of 25 years for the water system and the improvements and 5 to 15 years for vehicles and equipment. Depreciation expense for the year ended December 31, 2020 was \$296,034.

**D. INCOME TAX STATUS**

Southwest Ouachita Waterworks, Inc., is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana  
Notes to the Financial Statements (Continued)

The water system's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ending 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they are filed.

**E. 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.

**F. INTEREST COSTS**

The following provides disclosure on interest costs for the year ended December 31, 2020:

Total interest cost expensed	\$94,715
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u><u>\$94,715</u></u>

**G. FUNCTIONAL ALLOCATION OF EXPENSES**

Southwest Ouachita Waterworks, Inc.'s , only activity is to provide water service to its members. All costs incurred by Southwest Ouachita Waterworks, Inc., are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

**2. DEPOSITS IN FINANCIAL INSTITUTIONS**

At December 31, 2020, Southwest Ouachita Waterworks, Inc. had cash as follows:

Cash on hand	\$900
Non-interest-bearing checking accounts	1,087,806
Interest-bearing money market accounts	<u>435,085</u>
Total	<u><u>\$1,523,791</u></u>

Cash (bank balances) in the amount of \$1,629,754 at December 31, 2020 were not fully secured by FDIC insurance. The amount of uninsured deposits at year end were \$679,624.



SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana  
Notes to the Financial Statements

**3. RECEIVABLES**

Receivables at December 31, 2020 consist of the following:

Water sales	\$228,890
Less - allowance for uncollectible accounts	<u>(8,500)</u>
Net	<u>\$220,390</u>

For the year ended December 31, 2020, the total amount billed for water services was \$1,873,040 with an average monthly billing per customer of \$43.18. The water system had 3,452 active customers at December 31, 2020. Residential and small business customers are billed \$20 for the first 2,000 gallons of water used plus \$7.50 per thousand gallons for 3,000 to 15,000 gallons and \$8.50 per thousand gallons above 15,000 gallons. Commercial customers are billed \$100 for the first 10,000 gallons of water used plus \$8.50 per thousand gallons for consumption over 10,000 gallons. New customers are charged a \$60 or \$100 refundable meter deposit fee and a \$625 meter installation fee. Customers are charged a \$40 reconnect fee when service is disconnected for nonpayment.

**4. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The water system has adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively Accounting Standards Codification ("ASC") 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The water system's revenue from contracts with customers within the scope of ASC 606 is reported as water fees and meter installation fees on the Statement of Activities. The adoption of ASC 606 had no effect on the timing of revenue recognition for these revenue streams. Water fees are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed monthly for the number of gallons of water delivered during the month and payment is due by the 15<sup>th</sup> of the following month. The receivable for water fees at the beginning of the year was \$225,013 and \$228,890 at December 31, 2020. Meter installation fees are recognized when the customer signs the water users agreement and pays the installation fee.

**5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the water system's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual restrictions or board designations within one year of the balance sheet date:

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

Financial assets at December 31, 2020	\$1,744,181
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions:	
Customer meter deposits	(130,022)
Debt service	(179,492)
Contingencies	(100,000)
Board designations:	
Construction	(101)
Vehicle Fund	(51,976)
Debt service	(134,510)
Carbon replacement	(204,734)
Capital additions and contingencies	<u>(663,820)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u><u>\$279,526</u></u>

In addition to the above amounts, the water system has an available line of credit in the amount of \$250,000 from Chase Bank to be used to meet general expenditures.

**6. CAPITAL ASSETS**

A summary of capital assets at December 31, 2020 follows:

	Balance at January 1, 2020	Increases	Decreases	Balance at December 31, 2020
Capital assets not being depreciated:				
Land	\$63,320			\$63,320
Construction in progress	2,100			2,100
Total assets not being depreciated	<u>65,420</u>	NONE	NONE	<u>65,420</u>
Capital assets being depreciated:				
Water system	10,243,394	\$208,472		10,451,866
Vehicles and equipment	286,283	44,465	(\$1,918)	328,830
Total capital assets being depreciated	<u>10,529,677</u>	<u>252,937</u>	<u>(1,918)</u>	<u>10,780,696</u>
Less accumulated depreciation for:				



SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

	Balance at January 1, 2020	Increases	Decreases	Balance at December 31, 2020
Water system	\$4,102,973	\$270,260		\$4,373,233
Vehicles and equipment	157,953	25,774	(\$1,918)	181,809
Total accumulated depreciation	4,260,926	296,034	(1,918)	4,555,042
Total assets being depreciated, net	6,268,751	(43,097)	NONE	6,225,654
Total assets	<u>\$6,334,171</u>	<u>(\$43,097)</u>	<u>NONE</u>	<u>\$6,291,074</u>

The additions to capital assets for the year were costs related to completed construction projects and the purchase of equipment.

**7. LOANS PAYABLE**

On August 23, 2012, Southwest Ouachita Waterworks, Inc., entered into an agreement with the State of Louisiana Department of Transportation and Development (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the water system's water lines that were located within the limits of a road construction project on LA 3033. The agreement provided for an estimated project cost of \$119,705 to be funded by the state through a URAF loan. The actual cost of the project was \$81,396. During 2013, the water system was reimbursed for the total cost of the project through a URAF loan. The agreement with DOTD provides that Southwest Ouachita Waterworks, Inc., will repay the URAF funds in a lump sum when billed by DOTD. The agreement also allows Southwest Ouachita Waterworks, Inc., to request to repay in partial payments, in exchange for goods or services or any combination thereof. The request for repayment in a method other than lump sum must be submitted in writing to DOTD within 90 days from billing.

In November 2019, Southwest Ouachita Waterworks, Inc., was billed by DOTD for \$40,698 with an option to pay the minimum amount of \$8,139. The water system made no payments on this loan during 2020.

On November 1, 2016, Southwest Ouachita Waterworks, Inc., entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) by signing a promissory note for \$3,666,000 to make improvements to its water system. On July 1, 2018, the loan agreement with LDH was amended to increase the total loan amount to \$4,666,000. LDH gave \$500,000 principal forgiveness on the original loan so the maximum amount of principal repayment will be \$4,166,000. The note bears interest at 1.95%, payable semi-annually on May 1 and November 1 of each year. Southwest Ouachita Waterworks, Inc., also pays a .50% administrative fee to LDH on the outstanding

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

principal amount of the note, payable on each interest payment date. The principal will be repaid in 20 annual installments that began November 1, 2018. The loan is secured by a security interest in properties owned by the water system.

On April 8, 2020, the water system received loan funds through the United States Small Business Administration (SBA) Payroll Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in response to the economic effects of the COVID-19 pandemic. The loan bears interest at 1%. The loan is subject to the loan forgiveness provisions of the CARES Act. The water system is eligible for loan forgiveness in an amount equal to total payroll costs, interest payments on mortgage obligations, rent, and utility payments made during the 8-week period beginning April 8, 2020. To receive loan forgiveness from the SBA, the water system must apply for loan forgiveness through its lender, Chase Bank. No interest or principal will be due during the first six months after the loan date although interest will accrue over this six month deferral period. After the six month deferral period and after taking into account any loan forgiveness, any remaining principal and interest will be payable in substantially equal monthly installments over the remaining eighteen month term of the loan.

The following is a summary of loans payable transactions for the year ended December 31, 2020:

	URAF Loan	LDH DWRLF Loan	PPP Loan	Total
Loans payable at January 1, 2020	\$40,698	\$3,858,900	NONE	\$3,899,598
Additions		14,100	\$87,410	101,510
Reductions		(174,000)		(174,000)
Loans payable at December 31, 2020	<u>\$40,698</u>	<u>\$3,699,000</u>	<u>\$87,410</u>	<u>\$3,827,108</u>

The estimated annual requirements to amortize the DWRLF loan balance at December 31, 2020, is as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$178,000	\$90,625	\$268,625
2022	182,000	86,264	268,264
2023	187,000	81,805	268,805
2024	191,000	77,224	268,224
2025	196,000	72,544	268,544
2026 - 2030	1,055,000	288,242	1,343,242
2031 - 2035	1,191,000	152,537	1,343,537



SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2036 - 2037	<u>\$519,000</u>	<u>\$19,159</u>	<u>\$538,159</u>
Total	<u>\$3,699,000</u>	<u>\$868,400</u>	<u>\$4,567,400</u>

**8. CONCENTRATION OF INDEBTEDNESS**

As discussed in Note 7 above, approximately 97% of the water system's debt is with Louisiana Department of Health. The collateral for this debt is described in Note 7.

**9. LOAN AGREEMENT RESERVE REQUIREMENTS**

The loan agreement with Louisiana Department of Health DWRLF requires that the water system establish and maintain the following bank accounts:

	<u>Amount Required by Loan Agreement</u>	<u>Balance at December 31, 2020</u>
Debt Service Fund - payment of semi-annual debt service payments; must transfer 1/12 of each year's debt service into this fund on a monthly basis.	\$44,771	\$83,019
Debt Service Reserve Fund - to provide funds to pay debt service that would otherwise be in default.	134,721	230,983
Capital Additions and Contingencies Fund - to provide an available reserve for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system.	<u>100,000</u>	<u>367,214</u>
Total	<u>\$279,492</u>	<u>\$681,216</u>

**10. CONTINGENCIES**

Southwest Ouachita Waterworks, Inc., was involved in one lawsuit at December 31, 2020 that alleges physical and property damage as result of consuming water produced by the water system. It is anticipated that this will also include bodily injury. It is the opinion of the water system's attorney that the costs of any physical or property damages cannot be estimated at this time but it is believed that it would be less than any

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana  
Notes to the Financial Statements

insurance policy limits; therefore no liability for the alleged damages has been reported in the accompanying financial statements.

On February 20, 2018, the Louisiana Department of Health (LDH) issued an administrative order citing Southwest Ouachita Waterworks, Inc., with certain violations of state drinking water regulations during the period January 1, 2012 through December 31, 2017, and ordered the water system to take certain remedial actions to comply with all applicable state rules, regulations, and standards. State law provides that if the water system fails to comply with any provision of the administrative order, LDH may assess a penalty up to a maximum of \$3,000 per day, for each day the water system is not in compliance. Additionally, if LDH finds it necessary to refer the matter for civil action, the court may impose a civil penalty not to exceed \$3,000 per day for each day of violation and for each act of violation. The water system's engineer has responded to the order that the water system improvements financed by the Drinking Water Revolving Loan Fund (DWRLF) is specifically for remediation of cited violations.

During the year ended December 31, 2020, the water system expended \$14,100 in federal loan funds from the Environmental Protection Agency passed through the Louisiana Department of Health, Office of Public Health. These expenses are subject to audit and adjustment by federal and state agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## 11. SUBSEQUENT EVENTS

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. There were no significant adverse effects from COVID-19 on the water system's financial position during 2020. Although not expected, the water system's future cash flows could be affected by an economic slowdown that results from measures taken to contain the spread of the virus. The water system has determined that the potential impact of COVID-19 is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020, have not been adjusted to reflect this potential impact. The duration and impact of the COVID-19 pandemic remains unclear at this time.

Southwest Ouachita Waterworks, Inc., has evaluated subsequent events through February 16, 2021, the date which the financial statements were available to be issued.



**SUPPLEMENTAL INFORMATION**

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

Supplemental Information  
As of and For the Year Ended December 31, 2020

**COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits and Other Payments to Agency Head is presented in compliance with compliance with Louisiana Revised Statute 24:513 A (3).

**PRIOR YEAR FINDINGS**

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

**SCHEDULE OF INSURANCE POLICES IN FORCE**

The Schedule of Insurance Policies in force is presented in compliance with the loan agreements with the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund.

SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

Schedule of Compensation, Benefits and  
Other Payments to Agency Head  
For the Year Ended December 31, 2020

**BOARD COMPENSATION**

Agency Head - Johnny DeMoss - President

\$3,250

SOUTHWEST OUACHITA WATERWORKS, INC.  
 West Monroe, Louisiana

Schedule of Prior Year Findings  
 For the Year Ended December 31, 2020

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Status of Finding</u>
N/A	2013	Inadequate Segregation of Accounting Duties	Unresolved - see 2020-001 in current year findings.



SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

Schedule of Insurance Policies in Force  
For the Year Ended December 31, 2020

Insurer	Amount of Coverage	Risks Covered	In Effect
Allied World Assurance Company	\$25,000 - \$5,418,877	Property	01/15/2020 - 01/15/2021
Allied World Assurance Company	\$1,000,000 - \$3,000,000	General Liability	01/15/2020 - 01/15/2021
Allied World Assurance Company	\$5,000- \$100,000	Commercial Crime	01/15/2020 - 01/15/2021
Allied World Assurance Company	\$1,000,000 - \$3,000,000	Public Officials and Management Liability	01/15/2020 - 01/15/2021
Allied World Assurance Company	\$1,000,000	Commercial Excess Liability	01/15/2020 - 01/15/2021
Allied World Assurance Company	\$50,000 - \$1,000,000	Business Auto	01/15/2020 - 01/15/2021
Louisiana Workers' Compensation Corporation	\$1,000,000	Workers Compensation	04/16/2020 - 04/16/2021

**Independent Auditor's Report**  
**Required by *Government Auditing Standards***

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Auditor's Report on  
Internal Control Over Financial Reporting and on  
Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

BOARD OF DIRECTORS  
SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated February 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Ouachita Waterworks, Inc.'s internal control. Accordingly, I do not express an opinion of the effectiveness of Southwest Ouachita Waterworks, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



BOARD OF DIRECTORS  
SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana  
Independent Auditor's Report  
on Compliance and on  
Internal Control, etc.,  
December 31, 2020

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2020-001 that I consider to be a material weakness.

**Compliance and Other Matters**

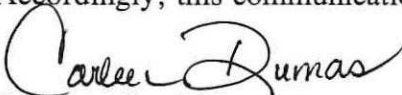
As part of obtaining reasonable assurance about whether, Southwest Ouachita Waterworks Inc.'s financial statements are free from material misstatement, I performed tests of the water system's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Southwest Ouachita Waterworks, Inc.'s Response to Findings**

Southwest Ouachita Waterworks, Inc.'s response to the finding identified in my audit is described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Southwest Ouachita Waterworks, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

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



Calhoun, Louisiana  
February 16, 2021



SOUTHWEST OUACHITA WATERWORKS, INC.  
West Monroe, Louisiana

Schedule of Current Year Findings and  
Management's Planned Corrective Action

For the Year Ended December 31, 2020

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

**Financial Statements**

1. Type of auditor's report issued - Unmodified opinion.
2. Internal control over financial reporting:  
  
Material weakness(es) identified? - Yes  
Significant deficiency(ies) identified? - None reported
3. Noncompliance material to financial statements noted? - No

**Section II - Financial Statement Findings**

**2020-001. Inadequate Segregation of Accounting Duties**

**Criteria:** Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

**Condition:** The accounting duties of collecting, depositing, and posting customer payments to customers accounts may be performed by any of the office employees.

**Cause:** Small size of the water system.

**Effect:** Errors or irregularities may not be detected within a timely period.

**Recommendation:** None

**Management's Response:** It is not economically feasible to correct this deficiency based on the size of the water system.