

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

AUGUST 31, 2020

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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February 26, 2021

Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Greater Ouachita Water Company, which comprise the statement of financial position, as of August 31, 2020, and the related statements of activities, functional expenses, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

HMV

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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Greater Ouachita Water Company as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenue and Expenses, Statement of Functional Expenses-By Program, Statement of Administrative Expenses on pages 16 to 19 and agency head compensation (page 20) are presented for purposes 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 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 taken as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of Greater Ouachita Water Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering Greater Ouachita Water Company's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GREATER OUACHITA WATER COMPANY

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

A S S E T S

Plant and equipment:

Cost of systems-Note 3	85,039,341
Accumulated depreciation	<u>(40,579,590)</u>
Net plant and equipment	44,459,751

Investments-current:

Reserve fund	186,000
Renewals, replacements and extensions fund	662,286
2019 Cost issuance fund	2,312
2019 Water project fund	36,729,062
2019 Debt services fund	1,826,318
2019 Reserve fund	<u>2</u>
Total investments-current	39,405,980

Current assets:

General fund cash	1,988,798
Accounts receivable-customers (net of allowance for bad debts of \$509,523)	2,944,940
Prepaid expense	<u>851,623</u>
Total current assets	5,785,361

Other assets:

Unamortized bond issue expense-Note 2	<u>3,104,485</u>
Total other assets	<u>3,104,485</u>

Total assets 92,755,577

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

LIABILITIES AND NET ASSETS

Long-term debt-Note 4

Bonds payable-Series 2019	72,300,000
Bonds reoffering Premium-Series 2019	4,913,291
<u>Less-current maturities of long-term debt</u>	<u>(500,000)</u>
Total long-term debt	76,713,291

Funded liabilities:

Interest payable	<u>1,312,925</u>
Total funded liabilities	1,312,925

Current liabilities:

Accounts payable-trade	1,392,453
Accounts payable-other sewer districts	634,223
Current maturities of long-term debt	500,000
Payroll and sales taxes payable	8,131
Accrued insurance	<u>63,026</u>
Total current liabilities	2,598,833

Deferred liabilities:

Customer meter deposits	1,638,981
Pension fund liability	<u>2,322</u>
Total deferred liabilities	<u>1,641,303</u>

Total liabilities 82,266,352

Net assets:

Undesignated	6,513,703
Invested in capital assets, net of debt	<u>3,975,522</u>
Total net assets	<u>10,489,225</u>

Total liabilities and net assets 92,755,577

GREATER OUACHITA WATER COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Without Donor Restrictions</u>
<u>Operating revenues:</u>	
Charge for services	16,811,660
Late payment charges	176,122
Reconnect charges	600
Water connect charges	183,100
Tapping fees	145,209
Operations maintenance fees	<u>144,890</u>
Total operating revenues	17,461,581
<u>Cost of sales:</u>	
Water purchased	<u>2,073,168</u>
<u>Gross profit</u>	15,388,413
<u>Functional expenses:</u>	
Operating expenses	13,530,077
Administrative expenses	<u>1,065,105</u>
Total functional expenses	<u>14,595,182</u>
<u>Net operating income</u>	793,231
<u>Other revenues:</u>	
Interest	195,740
Sewer maintenance agreement	281,801
Safe drinking water fees program	7,554
Miscellaneous	<u>144,037</u>
Total other revenues	<u>629,132</u>
<u>Net increase in net assets</u>	1,422,363
<u>Net assets at beginning of year</u>	<u>9,066,862</u>
<u>Net assets at end of year</u>	<u>10,489,225</u>

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

GREATER OUACHITA WATER COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Administrative Expenses</u>	<u>Operating Expenses</u>	<u>Total</u>
Operating contract	-	5,035,149	5,035,149
Power	-	964,909	964,909
Maintenance	-	987,132	987,132
Chemicals	-	646,114	646,114
Testing	-	57,592	57,592
Water used in sewer plant	-	705	705
Sterlington franchise fee	-	25,000	25,000
Service and franchise fees	-	2,945	2,945
Accounting	29,000	-	29,000
Consulting fees	86,800	-	86,800
Bank charges	15,491	-	15,491
Dues and subscriptions	1,085	-	1,085
Engineering fees	-	157,876	157,876
Inspection and supervision fees	30,618	-	30,618
Insurance	181,223	-	181,223
Interest	-	2,399,777	2,399,777
Legal and administrative	214,810	-	214,810
Office expenses	131,430	-	131,430
Postage	3,862	-	3,862
Rent	53,495	-	53,495
Right of way	-	13,691	13,691
Salaries	267,852	-	267,852
Taxes and licenses	40,929	-	40,929
Miscellaneous	1,199	-	1,199
Trustee fees	6,500	-	6,500
Travel	811	-	811
Provision for bad debts	-	-	-
Interest paid on customer accounts	-	37,806	37,806
Pension expense	-	162,720	162,720
Amortization	-	107,051	107,051
Depreciation	-	2,931,610	2,931,610
Total functional expenses	<u>1,065,105</u>	<u>13,530,077</u>	<u>14,595,182</u>

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

GREATER OUACHITA WATER COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2020

<u>Cash flows from operating activities:</u>	
Increase in net assets	1,422,363
Noncash items included in net income:	
Depreciation and amortization	2,869,237
Changes in:	
Accounts receivable-net	453,021
Prepaid expenses	(462,193)
Interest payable	872,700
Accounts payable-trade	712,804
Payroll and other taxes	238
Total adjustments	<u>4,445,807</u>
Net cash provided by operating activities	5,868,170
<u>Cash flows from investing activities:</u>	
Plant and equipment	(4,638,497)
Investment in special funds	<u>(37,241,497)</u>
Net cash (used) by investing activities	(41,879,994)
<u>Cash flows from financing activities:</u>	
Customer meter deposits	147,071
Bond issue expense-Series 2019	(3,139,130)
Bond issue-Series 2019, including reoffering premium	77,382,715
Redemption of bonds payable	(24,640,000)
Accounts payable-sewers	(400,938)
Payoff of line of credit	<u>(12,371,673)</u>
Net cash provided by financing activities	<u>36,978,045</u>
<u>Net increase in cash</u>	966,221
<u>Cash at beginning of year</u>	<u>1,022,577</u>
<u>Cash at end of year</u>	<u>1,988,798</u>
<u>Supplemental disclosures:</u>	
Interest paid	1,564,883

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

GREATER OUACHITA WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

1. Nature of Operations

The Greater Ouachita Water Company was incorporated May 29, 1963, under the laws of the State of Louisiana, as a nonprofit organization. The Company was organized to consolidate various water companies operating in Ouachita Parish (Ouachita Parish Police Jury), a political subdivision of the State of Louisiana, into a single company in order to provide better service to the area residents.

By a contract dated June 12, 1963, between the Greater Ouachita Water Company and the Parish of Ouachita, the Company agreed to acquire and construct a waterworks, sewerage and natural gas system within the Parish. Under terms of the contract, the Parish recognizes the Company's title to the system until all indebtedness of the Company, together with accrued interest thereon, incurred by the Company in the financing of the purchase, extension and improvement of the Company is paid in full. When all such indebtedness of the Company is paid in full, all rights, title and interest of the Company and the system shall vest in the Parish.

The Company began operations September 28, 1964. Currently, it has an agreement with North East Louisiana Utilities of Louisiana to operate the system.

Revenue bonds were issued in eight series. Proceeds of the first series (series 1964) were received on September 23, 1964, and the first purchase of systems was made. Proceeds of the second series (Series 1965) were received on April 12, 1965, and additional properties were added to the system. Proceeds of the third series (Series 1994A) were received on March 16, 1994, and of the fourth series (Series 97A&B) were received on December 11, 1997. Proceeds of the fifth Series (Series 2003) were received on August 7, 2003. Proceeds of the sixth series (Series 2009) were received on December 9, 2009. Proceeds from the seventh series (Series 2013) were received December 13, 2013. In September, 2019 Series 2019 bonds were issued.

2. Summary of Significant Accounting Policies

(a) *Method of Accounting*

The Company uses the accrual method of accounting in accordance with generally accepted accounting principles in the United States for non-profit organizations.

(b) *Depreciation*

Depreciation was computed using the straight-line method in amounts sufficient to amortize the cost of the depreciable assets over their estimated useful lives. The estimated useful lives used in computing depreciation are:

Cost of System	25 to 50 Years
Various Equipment	5 to 20 Years

2. Summary of Significant Accounting Policies (Continued)

(c) *Special Funds*

The Indentures of Mortgage require the Company twice each month to transfer from the general or operating bank accounts all monies in excess of a minimum amount that is shown by the annual budget to be necessary for operating expenses for the current fiscal year to the Trustee for credit to the Principal Fund and Interest Fund.

Special bond funds held by the Trustee are computed as follows:

- 1) Debt Service Fund is funded monthly to cover principal and interest payments on all outstanding bonds. On August 31, 2020, the balance in the Debt Service Fund was \$1,826,318. Interest payable at August 31, 2020 was \$1,326,318 and bonds payable was \$500,000.
- 2) Water Project Fund (Construction Improvements), created in the indenture to pay for capital improvements to the system. During the period under review, additions and expenditures made to and from this fund for improvements to the system resulted in a balance of \$36,729,062.

(d) *Deferred Charges and Amortization*

Premiums on bonds redeemed by the Company are being amortized over the term of the new bonds issued. Shown below is an analysis of unamortized bond discounts.

Costs of issuing bonds are being amortized over the term of the bonds:

Total cost at August 31, 2019	72,406
Add: 2019 bond cost-Series 2019	2,128,725
Less: Premium paid on bonds redeemed from prior issues	1,010,405
Current year amortization	<u>(107,051)</u>
Balance at August 31, 2020	<u>3,104,485</u>

(e) *Cash and Cash Equivalents*

For Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

(f) *Accounts Receivable-Customers*

Accounts receivable are reported net of an allowance for doubtful accounts of \$509,523. Management believes that accounts receivable are substantially collectible and requires customers to provide meter deposits. Accounts are reviewed monthly, and management determines which accounts are not collectible. Accounts receivable also includes unbilled revenues of \$943,545, which consist of revenues earned but not billed.

2. Summary of Significant Accounting Policies (Continued)

(g) *Use of Estimates*

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(h) *Income Taxes*

The Company, a nonprofit corporation, is exempt from federal and state income taxes under Internal Revenue Code 501(a). Accordingly, no provision for income taxes has been made in the financial statements.

(i) *Advertising Expenses*

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended August 31, 2020 were immaterial.

(j) *Contributions*

The Company reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Board for specific purposes.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Company, and/or by the passage of time. Generally, the Company does not have any donor restricted assets.

Contributions received are recorded based on the existence and/or nature of any donor restrictions.

Donated services are recognized as contributions in accordance with professional standards, if the services create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and would need to be purchased if they were not donated.

Donated facilities are recognized as contributions in accordance with professional standards.

During the fiscal year ended August 31, 2020, no contributions were received by the Company that meet the criteria for recognition in these financial statements.

(k) *Liquidity and Availability*

The Company strives to maintain liquid financial assets sufficient to meet its general operating expenditures. At August 31, 2020, the Company estimates that it has approximately one month of expenses in liquid assets. Accounts receivable are managed closely to ensure they are being paid promptly in order to provide for payment of accounts payable, and ongoing operations.

The Company has \$45,191,341 of financial assets available within one year of the balance sheet date, comprised of cash, accounts receivable and short term investments as noted on page 3. None of the financial assets is subject to donor restrictions or contractual restrictions that make them unavailable within one year.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial Statement Presentation

In August 2016, the FASB issued ASU No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017. The Company adopted this standard for the year ended August 31, 2019 and its implementation is reflected in the financial statements.

3. Plant and Equipment

Plant and equipment is stated at the acquisition costs of the assets of the Company, with the exception of the systems of Lakeview Utilities, Inc., North Louisiana Production Corporation, and B & W Utilities, Inc., which were contributed by their owners and are stated at their appraised value. Maintenance and repairs are charged to operations currently and major renewals and betterments are capitalized. Additions to the system during the year ended August 31, 2020, totaled \$4,638,497; of which \$1,937,330 was expended from the 2019 Series Bond project fund. Shown below is an analysis of the cost of the system by expenditures from various funds:

	<u>Balance</u> <u>2019</u>	<u>During</u> <u>Year</u>	<u>Balance</u> <u>2020</u>
Bond Proceeds Series 2013	10,950,199	-	10,950,199
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bonds Proceeds Series 1965	907,211	-	907,211
General Fund	51,413,201	4,638,497	56,051,698
Renewals, Replacements and Extensions Fund	3,272,892	-	3,272,892
Improvements Fund	8,237,642	-	8,237,642
Revenue Fund	35,016	-	35,016
1994A Fund	1,670,072	-	1,670,072
97A&B Fund Contributions	1,911,211	-	1,911,211
Lakeview Utilities, Inc. Water and Sewer System	196,000	-	196,000
North Louisiana Production Corp. Water System	71,800	-	71,800
B & W Utilities, Inc. Water System	44,658	-	44,658
	<u>80,632,110</u>	<u>4,638,497</u>	<u>85,270,607</u>
Less-retirements Gas System Transferred	<u>(231,266)</u>	<u>-</u>	<u>(231,266)</u>
Total	<u>80,400,844</u>	<u>4,638,497</u>	<u>85,039,341</u>

The details of plant and equipment are as follows:

Water mains and extensions	31,957,391
Water service lines	6,276,018
Water meters	1,650,693
Water wells	18,236,419
Water chlorine equipment	947,064
Meter stations	170,637

3. **Plant and Equipment (Continued)**

Sewer	22,150,988
Other equipment/buildings	1,142,271
Land	<u>2,507,860</u>
	<u>85,039,341</u>

4. **Long-Term Debt**

The Company originally issued bonds known as “Waterworks and Natural Gas System Revenue Bonds” in two series. For 1964, bonds totaled \$2,270,000 and were issued September 1, 1964. They were paid off as of September 1, 1999. Series 1965 bonds totaled \$1,050,000 and were issued March 1, 1965. They were paid off as of September 1, 1999.

On March 16, 1994, the Company issued bonds known as “Greater Ouachita Water Company Waterworks and Natural Gas System Bonds, Series 1994A” in the amount of \$2,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate is 6.25% through December 10, 1997, and thereafter shall bear interest at the rate determined by the Trustee on March 1, 2000, by adding 400 basis points to the five-year constant maturity treasury and multiplying such amount by the remainder of one minus the corporate tax rate applicable to Central Bank, J. P. Morgan, Monroe, Louisiana on such date. Principal shall be payable annually on September 1 in each year commencing September 1, 1995. Final payment was made in September 2013.

On December 11, 1997, the Company issued bonds known as “Waterworks and Natural Gas Revenue Bonds of the Greater Ouachita Water Company Series 1997” in the amount of \$3,500,000. Interest is paid semi-annually on March 1 and September 1. The interest rate shall begin at 5.675%. Final payment was made in September 2017.

On August 7, 2003, the Company issued bonds known as “Waterworks and Natural Gas System Revenue Bonds Series 2003” in the amount of \$9,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate began at 3.950%. Final payment is due in September 2024.

On December 9, 2009, the Company issued bonds known as “Waterworks and Natural Gas System Revenue Bonds Series 2009” in the amount of \$11,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate began at 4.100%. Final payment is due in September 2029.

On December 13, 2013, the Company issued bonds known as “Waterworks and Natural Gas System Revenue Bonds Series 2013” in the amount of \$10,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate is 3.25% through September 1, 2024; principal payments are September 1 of each year. The bonds are subject to mandatory redemption starting in September 2024. The bonds have limited covenants.

The Company has a \$15,000,000 line of credit with Chase Bank. The line of credit is unsecured with interest at one month LIBOR rate plus 1.25%. This line of credit was obtained to fund system improvements until new bonds are issued. The balance of the line of credit at August 31, 2019 was \$12,371,673. The line of credit is renewed annually.

The above bonds and line of credit were paid off in September, 2019 with the new Series 2019 bonds as noted below.

4. Long-Term Debt (Continued)

The Company issued bonds as of September 1, 2019 (Series 2019). The par value of the Bonds was \$72,300,000 and were issued with a premium of 5,082,715. The source and use of the funds from the Series 2019 Bonds was as follows:

Services (including \$37,337 from prior debt service fund)	<u>77,420,052</u>
Use of Funds:	
Deposit to Construction Fund	38,476,402
Payoff Bank Note (JP Morgan)	12,398,174
Payoff Series 2003, 2009 & 2013 Bonds (includes premium of \$1,010,405)	24,417,458
Cost (Insurance, Underwriters Discount, Cost to Issue, Surety)	<u>2,128,018</u>
	<u>77,420,052</u>

The Series 2019 Bonds mature over 30 years at coupons ranging from 3% to 5%. Final maturity is September 1, 2049. The Company has over three years to spend 85% of the Construction Fund which is held in trust by Regions Bank. The Company must maintain certain accounts: Debt Service Fund, Reserve Fund, and Project Fund. The Bonds have an optional call on September 1, 2019 at par. Certain other covenants have to be maintained covering PSC rates and additional borrowings (with bonds and short term debt). The Series 2019 debt service for the next five years is as follows and are due September 1st of each year:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9-1-2020	500,000	2,458,087	2,958,087
9-1-2021	1,330,000	2,600,850	3,930,850
9-1-2022	1,400,000	2,534,350	3,934,350
9-1-2023	1,470,000	2,464,350	3,934,350
9-1-2024	1,510,000	2,420,250	3,930,250

*Interest is noted for year; it is paid every six months.

The fair value of the long-term debt is estimated based on the current rates offered to the Company for debt of the same remaining maturities. At August 31, 2020, the fair value of the long-term debt approximates the amounts recorded in the financial statements.

5. Regulatory Compliance-LDHH

The Greater Ouachita Water Company is regulated by the Louisiana Department of Health and Hospitals (LDHH), the United States Environmental Protection Agency (EPA) and/or the Louisiana Department of Environmental Quality (LDEQ) regarding the water systems owned and/or operated by the Company.

The Company is subject to various inspections and possible orders from those agencies. The Company has corrected or is working to correct various inspection issues (orders) from regulatory agencies.

6. Pension Plan

A non-contributory defined benefit pension plan (the Plan) was put into effect on October 1, 2010. All employees of the Company are eligible to participate. The Company's funding policy is to contribute to the pension plan a monthly amount necessary to meet or exceed the minimum funding standards under the Employee Retirement Income Security Act.

6. Pension Plan (Continued)

Contributions to the benefit plan are invested in a managed asset portfolio consisting of cash and bonds. The investments are conservative and require maximum income from their investments. Moderate growth will occur since the portfolio has an income with growth objective. Short-term volatility will come from changes in bond prices due to interest rate fluctuations in the marketplace.

The Plan's investment policy is periodically reviewed and revised to reflect the best interest of the Plan's participants and beneficiaries. At present, investments of the Plan's assets are divided into four categories: Cash Equivalents, Mutual Funds – Fixed Income, Mutual Funds – Equity, and Mutual Funds – International Stock Fund.

At August 31, 2020, the breakdown of the fair value of Plan assets held is as follows:

	<u>Amount</u>	<u>Percentage</u>
Cash Equivalents	59,282	4.02%
Mutual Funds-Equities	696,716	40.75%
Fixed Income	<u>950,685</u>	<u>55.23%</u>
Total Plan Assets (all Level 1 assets)	<u>1,706,683</u>	<u>100.000%</u>

All investments, excluding Cash Equivalents, are valued using market prices. Cash Equivalents are reported at cost.

For the year ended August 31, 2020, the net return on the Plan assets was \$147,506. Greater Ouachita Water Company expects the long-term rate of return on the assets to be 5.00%. The assumed overall rate of return takes into account long-term return expectations of the underlying asset classes within the investment portfolio mix, and the expected duration of the Plan's liabilities. Return expectations are forward looking and, in general, not much weight is given to short-term experience. Unless there is a drastic change in investment policy or market environment, the assumed investment return of 5.00% on the Plan assets is expected to remain broadly the same each year. Generally accepted accounting principles require an actuarially determined assessment of the periodic cost.

The following table sets forth information on the funded status, amounts recognized in the financial statements, and weighted average assumptions related to Greater Ouachita Water Company's pension plan for the year ended August 31, 2020.

1. Changes in Benefit Obligation	
a. Benefit obligation at August 31, 2019	1,201,850
b. Employer service cost	16,975
c. Employee contributions for the year	-
d. Interest cost	11,472
e. Amendments	-
f. Actuarial (gain) loss	53,430
g. Changes in actuarial cost methods and/or systems	-
h. Benefits paid	<u>(64,536)</u>
i. Benefit obligation at August 31, 2020 (sum a through h)	1,219,191

6. **Pension Plan (Continued)**

2. Change in Plan Assets		
a. Assets at August 31, 2019		1,465,433
b. Actual return on Plan assets		161,842
c. Expenses		(14,336)
d. Employer contributions for fiscal year 2019		158,280
e. Employee contributions		-
f. Benefits paid and transfers		<u>(64,536)</u>
g. Assets at August 31, 2020 (sum a through f)		1,706,683
3. Funded (Unfunded) Status at August 31, 2019		
a. (Accrued) prepaid pension cost		(2,322)
b. Balance in accumulated other comprehensive income account		
1) Unrecognized net actuarial gain (loss)		-
2) Unrecognized prior service (cost) income		-
3) Unrecognized transition (obligation) asset		<u>-</u>
4) Total unrecognized (expense) asset		<u>-</u>
c. Funded status (unfunded PBO) at August 31, 2020 (a. + b.4.)		(2,322)
4. Weighted-Average Assumptions at Year-End		
a. Interest rate used to calculate net periodic pension cost		3.83%
b. Interest rate used to calculate year-end disclosure information (discount rate)		3.83%
c. Expected return on plan assets		5.00%
d. Salary scale to calculate NPPC for FY that began September 1, 2019		5.00%
e. Salary scale for disclosure information as of August 31, 2020		5.00%
5. Components of Net Periodic Benefit Cost		
a. Service Cost		38,031
b. Interest cost		11,472
c. Expected return on plan assets		44,702
d. Amortization of transition (asset) obligation		-
e. Amortization of prior service cost		-
f. Recognized net actuarial loss		<u>4,676</u>
g. Net periodic benefit cost		9,477
6. Projection of Benefits for Next Ten Fiscal Years		
<u>Fiscal Years</u>	<u>Projected Benefits</u>	
2021	100,033	
2022	110,036	
2023	111,456	
2024	141,508	
2025	141,508	
Sum of fiscal years		
2026 through 2028	313,068	

Contributions for the fiscal year beginning September 1, 2020 are not available until that valuation report is completed. In the meantime, a reasonable projection of the minimum contribution for the fiscal year beginning September 1, 2020 would be zero.

7. **Lawsuits**

The Company, from time to time, is involved in various lawsuits incurred by operating in the normal course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

8. **Concentration of Risk**

The Company maintains its cash balances at institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2020, the Company's uninsured cash balance was \$2,337,084.

Concentration of credit risk with respect to water and sewer billing receivables is limited due to the large number of customers and small balances. The risk is minimized further by customer meter deposits.

9. **Related Party Transactions**

The following related party transactions were incurred in the normal course of business:

Webb & Webb, owned by Barry Webb, CPA, director, earned \$9,000 for accounting services performed for the Company.

Stewart Law Group (of which Philip McQueen is a Partner) earned \$66,172 for legal services performed for the Company.

10. **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. The Company has determined that fund-raising costs are not material.

11. **New Accounting Guidance**

The Company implemented Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The effective date for the Company was the year ending August 31, 2020. The implementation of the new standard did not have a material effect as customers are billed for services as they consume them.

12. **Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through February 26, 2021, the date the report was available for issue, and concluded that no event required recognition in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>Operating revenue:</u>			
Charges for services	13,148,202	3,663,458	16,811,660
Late payment charges	127,101	49,021	176,122
Reconnect charges	600	-	600
Sewer inspection fees	-	-	-
Water connect charges	183,100	-	183,100
Tapping fees	143,979	1,230	145,209
Operations maintenance fees	<u>110,928</u>	<u>33,962</u>	<u>144,890</u>
Total operating revenue	13,713,910	3,747,671	17,461,581
<u>Direct operating expenses:</u>			
Operating contract	4,124,066	911,083	5,035,149
Power	546,400	418,509	964,909
Maintenance	647,676	339,456	987,132
Chemicals	535,776	110,338	646,114
Testing-sewer	-	57,592	57,592
Engineering services	149,018	8,858	157,876
Water purchased	2,073,168	-	2,073,168
Water used in sewer plant	-	705	705
Service and franchise fees	22,569	5,376	27,945
Right of way	<u>11,366</u>	<u>2,325</u>	<u>13,691</u>
Total direct operating expenses	<u>8,110,039</u>	<u>1,854,242</u>	<u>9,964,281</u>
<u>Net operating income</u>	5,603,871	1,893,429	7,497,300
<u>Administrative expenses</u>	<u>844,916</u>	<u>220,189</u>	<u>1,065,105</u>
<u>Net operating profit</u>	4,758,955	1,673,240	6,432,195
<u>Other income</u>	625,071	4,061	629,132
<u>Other expenses</u>	<u>1,750,538</u>	<u>849,765</u>	<u>2,600,303</u>
<u>Net income before amortization and depreciation</u>	3,633,488	827,536	4,461,024

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>Amortization and depreciation:</u>			
Amortization of Bond Issue Exp.-2003			
Amortization of Bond Series-2009	74,936	32,115	107,051
Depreciation expense	<u>2,114,555</u>	<u>817,055</u>	<u>2,931,610</u>
Total amortization and depreciation	<u>2,189,491</u>	<u>849,170</u>	<u>3,038,661</u>
<u>Excess (deficit) of revenues over expenses</u>	<u>1,443,997</u>	<u>(21,634)</u>	<u>1,422,363</u>
<u>Net increase for the year</u>	<u>1,443,997</u>	<u>(21,634)</u>	<u>1,422,363</u>

GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES-BY PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Admini- strative Expenses</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Operating contract	-	4,124,066	911,083	5,035,149
Tapping charges	-	-	-	-
Power	-	546,400	418,509	964,909
Maintenance	-	647,676	339,456	987,132
Chemicals	-	535,776	110,338	646,114
Testing	-	-	57,592	57,592
Water used in sewer plants	-	-	705	705
Sterlington use fee	-	25,000	-	25,000
Service and franchise fees	-	(2,431)	5,376	2,945
Accounting	29,000	-	-	29,000
Consulting fees	86,800	-	-	86,800
Bank charges	15,491	-	-	15,491
Dues and subscriptions	1,085	-	-	1,085
Engineering fees	-	149,018	8,858	157,876
Inspection and supervision fees	30,618	-	-	30,618
Insurance	181,223	-	-	181,223
Interest	-	1,579,163	820,614	2,399,777
Legal and administrative	214,810	-	-	214,810
Office expenses	131,430	-	-	131,430
Postage	3,862	-	-	3,862
Rent	53,495	-	-	53,495
Right of way	-	11,366	2,325	13,691
Salaries	267,852	-	-	267,852
Taxes and licenses	40,929	-	-	40,929
Miscellaneous	1,199	-	-	1,199
Trustee fees	6,500	-	-	6,500
Travel	811	-	-	811
Provision for bad debts	-	-	-	-
Interest paid on customer accounts	-	37,806	-	37,806
Pension expense	-	133,569	29,151	162,720
Amortization	-	74,936	32,115	107,051
Depreciation	-	2,114,555	817,055	2,931,610
Total	<u>1,065,105</u>	<u>9,976,900</u>	<u>3,553,177</u>	<u>14,595,182</u>

GREATER OUACHITA WATER COMPANY
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Accounting	22,681	6,319	29,000
Consulting fees	67,885	18,915	86,800
Bank charges	12,115	3,376	15,491
Dues and subscriptions	849	236	1,085
Inspection and supervision fees	23,946	6,672	30,618
Insurance	141,732	39,491	181,223
Legal and administrative	199,232	15,578	214,810
Office expenses	102,790	28,640	131,430
Postage	3,020	842	3,862
Rent	41,838	11,657	53,495
Salaries	209,484	58,368	267,852
Taxes and licenses	14,521	26,408	40,929
Miscellaneous	939	260	1,199
Travel	634	177	811
Trustee fees	3,250	3,250	6,500
Pension expense	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative expenses	<u>844,916</u>	<u>220,189</u>	<u>1,065,105</u>

GREATER OUACHITA WATER COMPANY

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED AUGUST 31, 2020

Agency Head: Philip McQueen, President

Salary	\$105,600
Benefits insurance	19,791

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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318-429-1525 PHONE • 318-429-2070 FAX

February 26, 2021

To the Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

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*

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Ouachita Water Company (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Greater Ouachita Water Company, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Ouachita Water Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

In connection with our engagement to audit Greater Ouachita Water Company's financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GREATER OUACHITA WATER COMPANY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2020

Section A - Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Greater Ouachita Water Company.
2. No material weakness or significant deficiencies were noted, relating to the engagement to perform an audit of the basic financial statements. One significant deficiency was noted, which is a material weakness.
3. No instances of noncompliance relating to the basic financial statements of the Greater Ouachita Water Company were disclosed during the audit.
4. The Greater Ouachita Water Company was not subject to a federal single audit for the year ended August 31, 2020.

Section B - Financial Statement Findings

No matters were reported.