

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

AUGUST 31, 2015

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15

SUPPLEMENTARY INFORMATION

Schedule I-Statement of Revenue and Expenses	16-17
Schedule II-Statement of Functional Expenses-by Program	18
Schedule III-Statement of Administrative Expenses	19

OTHER REPORTS

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 <i>Government Auditing Standards</i>	20-21
Schedule of Audit Findings and Responses	22
Schedule of Prior Year Findings	23

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 23, 2016

Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Ouachita Water Company, which comprise the statement of financial position, and the related statements of activities, functional expenses, and cash flows for the year ended August 31, 2015, 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 our audit. We conducted our 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

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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, 2014, 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 Matter

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, and Statement of Administrative Expenses on pages 16 to 19 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2016 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 audit performed 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, 2015

ASSETS

Plant and equipment:

Cost of systems-Note 3	66,849,903
Accumulated depreciation	<u>(26,726,998)</u>
Net plant and equipment	40,122,905

Investments-current:

Bond interest fund	553,746
Reserve fund	193,003
Renewals, replacements and extensions fund	198,184
Bond fund principal	965,032
Bond fund principal-2013 series	<u>590,354</u>
Total investments-current	2,500,319

Current assets:

General fund cash	638,964
Accounts receivable-customers (net)	2,136,304
Prepaid expense	<u>286,891</u>
Total current assets	3,062,159

Other assets:

Unamortized bond issue expense-Note 2	206,993
Prepaid pension benefit	<u>-</u>
Total other assets	<u>206,993</u>

Total assets 45,892,376

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

LIABILITIES AND NET ASSETS

Long-term debt-Note 4

Bonds payable-Series 97A&B	1,235,000
Bonds payable-Series 2003	7,155,000
Bonds payable-Series 2009	10,570,000
Bonds payable-Series 2013	9,945,000
<u>Less-current maturities of long-term debt</u>	<u>(965,000)</u>
Total long-term debt	27,940,000

Funded liabilities:

Interest payable	<u>512,350</u>
Total funded liabilities	512,350

Current liabilities:

Accounts payable-trade	1,131,149
Accounts payable-West Ouachita Sewer	499,174
Accounts payable-other sewer	49,242
Current maturities of long-term debt	965,000
Payroll and sales taxes payable	4,446
Accrued insurance	63,026
Line of credit-Chase	<u>5,357,409</u>
Total current liabilities	8,069,446

Deferred liabilities:

Customer meter deposits	1,120,733
Pension fund liability	<u>29,490</u>
Total deferred liabilities	<u>1,150,223</u>

Total liabilities 37,672,019

Net assets:

Unrestricted net assets (surplus)	<u>8,220,357</u>
-----------------------------------	------------------

Total liabilities and net assets 45,892,376

GREATER OUACHITA WATER COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

<u>Operating revenues:</u>	
Charge for services	12,105,972
Late payment charges	279,947
Reconnect charges	116,000
Sewer inspection fees	2,412
Water connect charges	215,855
Tapping fees	177,527
Operations maintenance fees	<u>80,481</u>
Total operating revenues	12,978,194
<u>Cost of sales:</u>	
Water purchased	<u>1,462,545</u>
<u>Gross profit</u>	11,515,649
<u>Functional expenses:</u>	
Operating expenses	10,308,127
Administrative expenses	<u>1,031,841</u>
Total functional expenses	<u>11,339,968</u>
<u>Net operating</u>	175,681
<u>Other revenues:</u>	
Interest	785
Sewer maintenance agreement	303,168
Safe drinking water fees program	8,209
Miscellaneous	<u>161,254</u>
Total other revenues	<u>473,416</u>
<u>Net increase in net assets</u>	649,097
<u>Net assets at beginning of year</u>	7,739,455
<u>Pension and retirement changes other than net periodic benefit cost</u>	<u>(168,195)</u>
<u>Net assets at end of year</u>	<u>8,220,357</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, 2015

	<u>Administrative Expenses</u>	<u>Operating Expenses</u>	<u>Total</u>
Operating contract	-	3,714,843	3,714,843
Tapping charges	-	44,472	44,472
Power	-	850,531	850,531
Maintenance	-	1,386,312	1,386,312
Chemicals	-	431,535	431,535
Testing	-	67,268	67,268
Water used in sewer plant	-	1,649	1,649
Service and franchise fees	-	19,593	19,593
Right of way	-	62,239	62,239
Accounting	28,700	-	28,700
Consulting fees	113,863	-	113,863
Bank charges	76,788	-	76,788
Dues and subscriptions	1,091	-	1,091
Engineering fees	-	78,467	78,467
Inspection and supervision fees	17,365	-	17,365
Insurance	73,176	-	73,176
Interest	-	1,111,699	1,111,699
Legal and administrative	423,351	-	423,351
Miscellaneous	23,000	-	23,000
Office expenses	2,475	-	2,475
Postage	1,387	-	1,387
Rent	20,470	-	20,470
Salaries	175,674	-	175,674
Taxes and licenses	42,643	-	42,643
Telephone	(661)	-	(661)
Travel	408	-	408
Trustee fees	14,155	-	14,155
Provision for bad debts	-	164,742	164,742
Interest paid on customer accounts	-	36,917	36,917
Pension expense	17,956	-	17,956
Amortization	-	9,185	9,185
Depreciation	-	2,328,675	2,328,675
Total functional expenses	<u>1,031,841</u>	<u>10,308,127</u>	<u>11,339,968</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, 2015

<u>Cash flows from operating activities:</u>	
Increase in net assets	649,097
Noncash items included in net income:	
Depreciation and amortization	2,337,860
Changes in:	
Accounts receivable-net	(394,551)
Prepaid expenses	(223,180)
Under-funded pension benefits	(129,090)
Interest payable	(16,681)
Accounts payable-trade	(545,098)
Accounts payable-sewers	(15,919)
Payroll and other taxes	<u>(775)</u>
Total adjustments	<u>1,012,566</u>
Net cash provided by operating activities	1,661,663
<u>Cash flows from investing activities:</u>	
Plant and equipment	(3,428,378)
Investment in special funds	<u>1,021,120</u>
Net cash (used) by investing activities	(2,407,258)
<u>Cash flows from financing activities:</u>	
Customer meter deposits	213,682
Redemption of bonds payable	(925,000)
Net increase on line of credit	1,306,949
Proceeds from bonds-net of bond expense \$97,849	<u>-</u>
Net cash provided by financing activities	<u>595,631</u>
<u>Net (decrease) in cash</u>	(149,964)
<u>Cash at beginning of year</u>	<u>788,928</u>
<u>Cash at end of year</u>	<u><u>638,964</u></u>
<u>Supplemental disclosures:</u>	
Interest paid	1,165,297

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

GREATER OUACHITA WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

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.

An indenture of Mortgage, dated September 1, 1964, was made by and between the Greater Ouachita Water Company and the First National Bank of Commerce in New Orleans, now J.P. Morgan, a national banking association having an office in New Orleans, Louisiana, as trustee. Supplemental Indentures of Mortgage have been made covering additions to the system.

Revenue bonds were issued in seven 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.

The Company began operations September 28, 1964. Currently, it has an agreement with Severn Trent Environmental Services, Inc. of Florida to operate the system.

Officers and directors of the Company and salaries paid (no benefits paid) to them as officers during the period under audit were:

Wood T. Sparks, President	80,000
Philip McQueen, Secretary	28,000
Barry Webb, Treasurer	<u>38,000</u>
	<u>146,000</u>

The above information is in compliance with Act 706.

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.

2. **Summary of Significant Accounting Policies** (Continued)

(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

(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) Interest Fund until at least six months interest on all outstanding bonds is accumulated or restored. On August 31, 2015, the balance in the Interest Fund was \$553,746. Interest payable at August 31, 2015 was \$512,350.
- 2) Construction Improvement Fund, 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 \$-0-.
- 3) Principal Fund, an amount which when multiplied by the number of such monthly deposits to be made during the next twelve month period will equal the annual requirement for that year. To date, adequate deposits have been made and the requirements of the Indenture of Mortgage have been met.

The annual amount due on September 1, 2015 will be \$965,000.

(d) Deferred Charges and Amortization

Discounts on bonds issued by the Company are being amortized over the term of the bonds. 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, 2013	441,252
Add: 2013 bond cost	97,849
Less: Prior year amortization	(322,923)
Current year amortization	<u>(9,185)</u>
Balance at August 31, 2015	<u><u>206,993</u></u>

(e) Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (Continued)

(f) *Accounts Receivable-Customers*

Accounts receivable are reported net of an allowance for doubtful accounts of \$9,523. 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 \$818,376, which consist of revenues earned but not billed.

(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, 2015 were immaterial.

(j) *Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized.

Donated services are recognized as contributions in accordance with professional standards (FASB ASC 958-605-25-16), 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 (FASB ASC 958-605-52-24).

During the fiscal year ended August 31, 2015, no contributions were received by the Company that meet the criteria for recognition in these 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, 2015, totaled \$3,428,378. Shown below is an analysis of the cost of the system by expenditures from various funds:

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

	<u>Balance</u> <u>2014</u>	<u>During</u> <u>Year</u>	<u>Balance</u> <u>2015</u>
Bond Proceeds Series 2013	6,406,896	3,428,379	9,835,275
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bonds Proceeds Series 1965	907,211	-	907,211
General Fund	38,977,184	-	38,977,184
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>63,652,790</u>	<u>3,428,379</u>	<u>67,081,169</u>
Less-retirements Gas System Transferred	<u>(231,266)</u>	<u>-</u>	<u>(231,266)</u>
Total	<u>63,421,524</u>	<u>3,428,379</u>	<u>66,849,903</u>

The details of plant and equipment are as follows:

Water mains and extensions	26,686,167
Water service lines	3,818,735
Water meters	1,109,774
Water wells	13,685,314
Water chlorine equipment	191,690
Meter stations	170,637
Sewer	18,381,261
Other equipment/buildings	848,895
Land	<u>1,957,430</u>
	<u>66,849,903</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.

4. Long-Term Debt (Continued)

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 is due 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 \$10,000,000 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, 2015 was \$5,357,409. The line of credit is renewed annually.

During the year ended August 31, 2015, \$925,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$22,415,000. The balance of bonds outstanding at August 31, 2015 was \$28,905,000. The bonds are secured by water system assets of the Company.

Principal payments for the next five years are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2016	965,000
2017	1,010,000
2018	1,055,000
2019	1,235,000
2020	1,275,000

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, 2015, 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.

5. **Regulatory Compliance-LDHH** (Continued)

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.

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, 2015, the breakdown of the fair value of Plan assets held is as follows:

	<u>Amount</u>	<u>Percentage</u>
Cash equivalents	36,315	4.92%
Mutual Funds-Fixed Income	393,629	53.33%
Mutual Funds-Equity	249,994	33.87%
Mutual Funds-International Stock Fund	<u>58,162</u>	<u>7.88%</u>
Total Plan Assets (all Level 1 assets)	<u><u>738,100</u></u>	<u><u>100.00%</u></u>

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

For the year ended August 31, 2015, the net return on the Plan assets was (\$13,949). 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, 2015.

6. Pension Plan (Continued)

1. Changes in Benefit Obligation	
a. Benefit obligation at August 31, 2014	603,806
b. Employer service cost	6,002
c. Employee contributions for the year	-
d. Interest cost	23,101
e. Amendments	-
f. Actuarial (gain) loss	136,050
g. Changes in actuarial cost methods and/or systems	-
h. Benefits paid	<u>(1,369)</u>
i. Benefit obligation at August 31, 2015 (sum a through h)	767,590
2. Change in Plan Assets	
a. Assets at August 31, 2014	613,418
b. Actual return on Plan assets	(7,087)
c. Expenses	(6,862)
d. Employer contributions for fiscal year 2015	140,000
e. Employee contributions	-
f. Benefits paid	<u>(1,369)</u>
g. Assets at August 31, 2015 (sum a through f)	738,100
3. Funded (Unfunded) Status at August 31, 2014	
a. (Accrued) prepaid pension cost	353,952
b. Balance in accumulated other comprehensive income account	
1) Unrecognized net actuarial gain (loss)	(383,402)
2) Unrecognized prior service (cost) income	-
3) Unrecognized transition (obligation) asset	<u>-</u>
4) Total unrecognized (expense) asset	<u>(383,442)</u>
c. Funded status (unfunded PBO) at August 31, 2015 (a. + b.4.)	(29,490)
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, 2014	5.00%
e. Salary scale for disclosure information as of August 31, 2015	5.00%
5. Components of Net Periodic Benefit Cost	
a. Service Cost	6,002
b. Interest cost	23,101
c. Expected return on plan assets	(34,689)
d. Amortization of transition (asset) obligation	-
e. Amortization of prior service cost	-
f. Recognized net actuarial loss	<u>16,496</u>
g. Net periodic benefit cost	10,910

6. **Pension Plan (Continued)**

6. Projection of Benefits for Next Ten Fiscal Years

<u>Fiscal Years</u>	<u>Projected Benefits</u>
2016	63,732
2017	62,559
2018	61,315
2019	60,016
2020	58,636
Sum of fiscal years 2021 through 2025	301,355

7. Contributions for the fiscal year beginning September 1, 2015 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, 2015 would be \$140,000.

The accumulated benefit obligation at August 31, 2015 was \$665,011. \$383,442 of benefit cost has been recognized in net assets.

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, 2015, the Company's uninsured cash balance was \$472,919.

Concentration of credit risk with respect to water and sewer billing receivables are 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:

Dean Morris, LLP (of which Wood T. Sparks is Of Counsel), earned \$192,126 for legal services performed for the Company. At August 31, 2015, \$19,295 was accrued and payable for legal services.

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

Philip McQueen, secretary of the Company, is the son-in-law of Wood T. Sparks, the president of the Company.

Dimos Erskine, LLP (of which Philip McQueen is Of Counsel), earned \$27,831 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. 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 23, 2016, the date the report was available for issue, and concluded no subsequent events require recognition in the notes to the financial statements.

12. Uncertain Tax Positions

The Company is subjected to examination by various taxing authorities. Management has reviewed the Company's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements.

SUPPLEMENTARY INFORMATION

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>Operating revenue:</u>			
Charges for services	9,390,950	2,715,022	12,105,972
Late payment charges	279,947	-	279,947
Reconnect charges	116,000	-	116,000
Sewer inspection fees	-	2,412	2,412
Water connect charges	215,855	-	215,855
Tapping fees	151,177	26,350	177,527
Operations maintenance fees	<u>56,312</u>	<u>24,169</u>	<u>80,481</u>
Total operating revenue	10,210,241	2,767,953	12,978,194
<u>Direct operating expenses:</u>			
Operating contract	3,067,341	647,502	3,714,843
Tapping charges	44,472	-	44,472
Power	544,218	306,313	850,531
Maintenance	782,369	603,943	1,386,312
Chemicals	383,290	48,245	431,535
Testing-sewer	-	67,268	67,268
Engineering services	35,004	43,463	78,467
Water purchased	1,462,545	-	1,462,545
Water used in sewer plant	-	1,649	1,649
Service and franchise fees	1,319	18,274	19,593
Right of way	<u>53,797</u>	<u>8,442</u>	<u>62,239</u>
Total direct operating expenses	<u>6,374,355</u>	<u>1,745,099</u>	<u>8,119,454</u>
<u>Net operating income</u>	3,835,886	1,022,854	4,858,740
<u>Administrative expenses</u>	<u>816,598</u>	<u>215,243</u>	<u>1,031,841</u>
<u>Net operating profit</u>	3,019,288	807,611	3,826,899
<u>Other income</u>	170,248	303,168	473,416
<u>Other expenses</u>	<u>1,021,122</u>	<u>292,236</u>	<u>1,313,358</u>
<u>Net income before amortization and depreciation</u>	2,168,414	818,543	2,986,957

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>Amortization and depreciation:</u>			
Amortization of Bond Issue Exp.-2003	2,782	696	3,478
Amortization of Bond Series-2009	4,566	1,141	5,707
Depreciation expense	<u>1,630,869</u>	<u>697,806</u>	<u>2,328,675</u>
Total amortization and depreciation	<u>1,638,217</u>	<u>699,643</u>	<u>2,337,860</u>
<u>Excess of revenues over expenses</u>	530,197	118,900	649,097
Pension and post retirement changes other than net periodic benefit cost	<u>(146,145)</u>	<u>(22,050)</u>	<u>(168,195)</u>
<u>Net increase for the year</u>	<u>384,052</u>	<u>96,850</u>	<u>480,902</u>

GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES-BY PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Admini- strative Expenses</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Operating contract	-	3,067,341	647,502	3,714,843
Tapping charges	-	44,472	-	44,472
Power	-	544,218	306,313	850,531
Maintenance	-	782,369	603,943	1,386,312
Chemicals	-	383,290	48,245	431,535
Testing	-	-	67,268	67,268
Water used in sewer plants	-	-	1,649	1,649
Service and franchise fees	-	1,319	18,274	19,593
Right of way	-	53,797	8,442	62,239
Accounting	28,700	-	-	28,700
Consulting fees	113,863	-	-	113,863
Bank charges	76,788	-	-	76,788
Dues and subscriptions	1,091	-	-	1,091
Engineering fees	-	35,004	43,463	78,467
Inspection and supervision fees	17,365	-	-	17,365
Insurance	73,176	-	-	73,176
Interest	-	844,516	267,183	1,111,699
Legal and administrative	423,351	-	-	423,351
Miscellaneous	23,000	-	-	23,000
Office expenses	2,475	-	-	2,475
Postage	1,387	-	-	1,387
Rent	20,470	-	-	20,470
Salaries	175,674	-	-	175,674
Taxes and licenses	42,643	-	-	42,643
Telephone	(661)	-	-	(661)
Travel	408	-	-	408
Trustee fees	14,155	-	-	14,155
Provision for bad debts	-	127,771	36,971	164,742
Interest paid on customer accounts	-	36,917	-	36,917
Pension expense	17,956	-	-	17,956
Amortization	-	7,348	1,837	9,185
Depreciation	-	<u>1,630,869</u>	<u>697,806</u>	<u>2,328,675</u>
Total	<u>1,031,841</u>	<u>7,559,231</u>	<u>2,748,896</u>	<u>11,339,968</u>

GREATER OUACHITA WATER COMPANY
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Accounting	22,127	6,573	28,700
Consulting fees	87,789	26,074	113,863
Bank charges	59,204	17,584	76,788
Dues and subscriptions	841	250	1,091
Inspection and supervision fees	13,389	3,976	17,365
Insurance	56,419	16,757	73,176
Legal and administrative	369,598	53,753	423,351
Miscellaneous	17,733	5,267	23,000
Office expenses	1,908	567	2,475
Postage	1,069	318	1,387
Rent	15,783	4,687	20,470
Salaries	135,445	40,229	175,674
Taxes and licenses	11,717	30,926	42,643
Telephone	(510)	(151)	(661)
Travel	315	93	408
Trustee fees	8,169	5,986	14,155
Pension expense	<u>15,602</u>	<u>2,354</u>	<u>17,956</u>
Total administrative expenses	<u>816,598</u>	<u>215,243</u>	<u>1,031,841</u>

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 23, 2016

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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greater Ouachita Water Company (a nonprofit organization), which comprise the statement of financial position as of August 31, 2015, 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 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greater Ouachita Water 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 material weaknesses. However, material weaknesses may exist that have not been identified.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Ouachita Water Company's financial statements are free from material misstatement, 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 audit performed 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, 2015

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 weaknesses or significant deficiencies were noted, relating to the audit of the basic financial statements.
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, 2015.

Section B - Financial Statement Findings

No matters were reported.

GREATER OUACHITA WATER COMPANY

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

No prior year findings.