

**GREATER OUACHITA WATER COMPANY**

**MONROE, LOUISIANA**

**AUGUST 31, 2016**

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 27, 2017

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, 2016, 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

We were unable to obtain complete billing information due to purported errors in the meter readings during part of the year. We were unable to obtain sufficient appropriate audit evidence about the completeness of the revenue amounts by other auditing procedures.

### ***Disclaimer of Opinion***

Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

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## **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 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. Due to the limitations noted above, we are unable to express an opinion on the other financial information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017 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, 2016

ASSETS

**Plant and equipment:**

Cost of systems-Note 3	74,284,931
Accumulated depreciation	<u>(29,245,017)</u>
Net plant and equipment	45,039,914

**Investments-current:**

Bond interest fund	536,213
Reserve fund	193,293
Renewals, replacements and extensions fund	422,961
Bond fund principal	1,010,068
Bond fund principal-2013 series	<u>2</u>
Total investments-current	2,162,537

**Current assets:**

General fund cash	463,542
Accounts receivable-customers (net)	2,298,186
Prepaid expense	<u>117,856</u>
Total current assets	2,879,584

**Other assets:**

Unamortized bond issue expense-Note 2	<u>197,809</u>
Total other assets	<u>197,809</u>

Total assets 50,279,844

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	845,000
Bonds payable-Series 2003	6,860,000
Bonds payable-Series 2009	10,345,000
Bonds payable-Series 2013	9,890,000
<u>Less-current maturities of long-term debt</u>	<u>(1,010,000)</u>
Total long-term debt	26,930,000

**Funded liabilities:**

Interest payable	<u>494,959</u>
Total funded liabilities	494,959

**Current liabilities:**

Accounts payable-trade	1,209,382
Accounts payable-West Ouachita Sewer	498,680
Accounts payable-other sewer	207,831
Current maturities of long-term debt	1,010,000
Payroll and sales taxes payable	5,878
Accrued insurance	63,026
Line of credit-Chase	<u>9,873,791</u>
Total current liabilities	12,868,588

**Deferred liabilities:**

Customer meter deposits	1,225,969
Pension fund liability	<u>224,949</u>
Total deferred liabilities	<u>1,450,918</u>

Total liabilities 41,744,465

**Net assets:**

Unrestricted net assets (surplus)	<u>8,535,379</u>
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Total liabilities and net assets 50,279,844

GREATER OUACHITA WATER COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

<b><u>Operating revenues:</u></b>	
Charge for services	12,122,887
Late payment charges	249,449
Reconnect charges	104,789
Sewer inspection fees	160
Water connect charges	202,740
Tapping fees	202,252
Operations maintenance fees	<u>185,194</u>
Total operating revenues	13,067,471
<b><u>Cost of sales:</u></b>	
Water purchased	<u>1,905,849</u>
<b><u>Gross profit</u></b>	11,161,622
<b><u>Functional expenses:</u></b>	
Operating expenses	10,205,117
Administrative expenses	<u>1,069,067</u>
Total functional expenses	<u>11,274,184</u>
<b><u>Net operating (loss)</u></b>	(112,562)
<b><u>Other revenues:</u></b>	
Interest	936
Sewer maintenance agreement	156,290
Safe drinking water fees program	49,948
Miscellaneous	<u>529,717</u>
Total other revenues	<u>736,891</u>
<b><u>Net increase in net assets</u></b>	624,329
<b><u>Net assets at beginning of year</u></b>	8,220,357
<b><u>Pension and retirement changes other than net periodic benefit cost</u></b>	<u>(309,307)</u>
<b><u>Net assets at end of year</u></b>	<u><u>8,535,379</u></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, 2016

	<u>Administrative Expenses</u>	<u>Operating Expenses</u>	<u>Total</u>
Operating contract	-	3,810,183	3,810,183
Tapping charges	-	57,616	57,616
Power	-	908,871	908,871
Maintenance	-	1,132,090	1,132,090
Chemicals	-	400,540	400,540
Testing	-	82,054	82,054
Water used in sewer plant	-	7,527	7,527
Service and franchise fees	-	10,876	10,876
Accounting	25,000	-	25,000
Consulting fees	223,798	-	223,798
Bank charges	46,670	-	46,670
Dues and subscriptions	1,064	-	1,064
Engineering fees	-	58,375	58,375
Inspection and supervision fees	22,363	-	22,363
Insurance	76,855	-	76,855
Interest	-	1,122,166	1,122,166
Legal and administrative	360,912	-	360,912
Office expenses	1,543	-	1,543
Postage	143	-	143
Rent	23,421	-	23,421
Salaries	208,540	-	208,540
Taxes and licenses	18,311	-	18,311
Travel	481	-	481
Trustee fees	10,405	-	10,405
Provision for bad debts	-	36,367	36,367
Interest paid on customer accounts	-	51,248	51,248
Pension expense	49,561	-	49,561
Amortization	-	9,185	9,185
Depreciation	-	2,518,019	2,518,019
Total functional expenses	<u>1,069,067</u>	<u>10,205,117</u>	<u>11,274,184</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, 2016

<b><u>Cash flows from operating activities:</u></b>	
Increase in net assets	624,329
Noncash items included in net income:	
Depreciation and amortization	2,527,204
Changes in:	
Pension fund	(113,848)
Accounts receivable-net	(161,882)
Prepaid expenses	169,035
Interest payable	(17,391)
Accounts payable-trade	78,236
Accounts payable-sewers	158,095
Payroll and other taxes	<u>1,432</u>
Total adjustments	<u>2,640,881</u>
Net cash provided by operating activities	3,265,210
<b><u>Cash flows from investing activities:</u></b>	
Plant and equipment	(7,435,028)
Investment in special funds	<u>337,782</u>
Net cash (used) by investing activities	(7,097,246)
<b><u>Cash flows from financing activities:</u></b>	
Customer meter deposits	105,232
Redemption of bonds payable	(965,000)
Net increase on line of credit	<u>4,516,382</u>
Net cash provided by financing activities	<u>3,656,614</u>
<b><u>Net (decrease) in cash</u></b>	(175,422)
<b><u>Cash at beginning of year</u></b>	<u>638,964</u>
<b><u>Cash at end of year</u></b>	<u><u>463,542</u></u>
<b><u>Supplemental disclosures:</u></b>	
Interest paid	1,190,805

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

GREATER OUACHITA WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

**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	96,000
Philip McQueen, Secretary	36,000
Barry Webb, Treasurer	<u>48,000</u>
	<u>180,000</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, 2016, the balance in the Interest Fund was \$536,213. Interest payable at August 31, 2016 was \$494,959.
- 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, 2016 will be \$1,010,000.

**(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, 2015	539,101
Add: 2016 bond cost	-
Less: Prior year amortization	(332,108)
Current year amortization	<u>(9,184)</u>
Balance at August 31, 2016	<u><u>197,809</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 \$72,000. 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, 2016 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, 2016, 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, 2016, totaled \$7,435,028. 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>2015</u>	<u>During</u> <u>Year</u>	<u>Balance</u> <u>2016</u>
Bond Proceeds Series 2013	9,835,275	590,364	10,425,639
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bonds Proceeds Series 1965	907,211	-	907,211
General Fund	38,977,184	6,844,664	45,821,848
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>67,081,169</u>	<u>7,435,028</u>	<u>74,516,197</u>
Less-retirements Gas System Transferred	<u>(231,266)</u>	<u>-</u>	<u>(231,266)</u>
Total	<u>66,849,903</u>	<u>7,435,028</u>	<u>74,284,931</u>

The details of plant and equipment are as follows:

Water mains and extensions	29,296,419
Water service lines	5,118,768
Water meters	1,164,500
Water wells	15,526,338
Water chlorine equipment	902,439
Meter stations	170,637
Sewer	19,279,607
Other equipment/buildings	858,793
Land	<u>1,967,430</u>
	<u>74,284,931</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, 2016 was \$9,873,791. The line of credit is renewed annually.

During the year ended August 31, 2016, \$965,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$23,380,000. The balance of bonds outstanding at August 31, 2016 was \$27,940,000. 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>
2017	1,010,000
2018	1,055,000
2019	1,235,000
2020	1,275,000
2021	1,320,000

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, 2016, 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, 2016, the breakdown of the fair value of Plan assets held is as follows:

	<u>Amount</u>	<u>Percentage</u>
Cash equivalents	18,117	2%
Mutual Funds	<u>887,713</u>	<u>98%</u>
Total Plan Assets (all Level 1 assets)	<u>905,830</u>	<u>100.00%</u>

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

For the year ended August 31, 2016, the net return on the Plan assets was \$39,099. 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, 2016.



## 6. Pension Plan (Continued)

1. Changes in Benefit Obligation	
a. Benefit obligation at August 31, 2015	767,590
b. Employer service cost	30,297
c. Employee contributions for the year	-
d. Interest cost	29,374
e. Amendments	267,007
f. Actuarial (gain) loss	37,880
g. Changes in actuarial cost methods and/or systems	-
h. Benefits paid	<u>(1,369)</u>
i. Benefit obligation at August 31, 2016 (sum a through h)	1,130,779
2. Change in Plan Assets	
a. Assets at August 31, 2015	738,100
b. Actual return on Plan assets	47,958
c. Expenses	(8,859)
d. Employer contributions for fiscal year 2016	130,000
e. Employee contributions	-
f. Benefits paid	<u>(1,369)</u>
g. Assets at August 31, 2016 (sum a through f)	905,830
3. Funded (Unfunded) Status at August 31, 2015	
a. (Accrued) prepaid pension cost	467,800
b. Balance in accumulated other comprehensive income account	
1) Unrecognized net actuarial gain (loss)	(425,742)
2) Unrecognized prior service (cost) income	(267,007)
3) Unrecognized transition (obligation) asset	-
4) Total unrecognized (expense) asset	<u>(692,749)</u>
c. Funded status (unfunded PBO) at August 31, 2016 (a. + b.4.)	(224,949)
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, 2015	5.00%
e. Salary scale for disclosure information as of August 31, 2016	5.00%
5. Components of Net Periodic Benefit Cost	
a. Service Cost	30,297
b. Interest cost	29,374
c. Expected return on plan assets	40,892
d. Amortization of transition (asset) obligation	-
e. Amortization of prior service cost	-
f. Recognized net actuarial loss	<u>26,863</u>
g. Net periodic benefit cost	45,642

6. **Pension Plan (Continued)**

6. Projection of Benefits for Next Ten Fiscal Years

<u>Fiscal Years</u>	<u>Projected Benefits</u>
2017	94,635
2018	92,776
2019	90,800
2020	88,686
2021	100,033
Sum of fiscal years 2022 through 2026	447,704

7. Contributions for the fiscal year beginning September 1, 2016 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, 2016 would be \$140,000.

The accumulated benefit obligation at August 31, 2016 was \$865,803. \$692,749 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, 2016, the Company's uninsured cash balance was \$213,542.

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:

Dean Morris, LLP (of which Wood T. Sparks is Of Counsel), earned \$192,494 for legal services performed for the Company. At August 31, 2016, \$4,556 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 a Partner), earned \$34,282 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 June 27, 2017, 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, 2016

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b><u>Operating revenue:</u></b>			
Charges for services	9,480,316	2,642,571	12,122,887
Late payment charges	249,449	-	249,449
Reconnect charges	104,789	-	104,789
Sewer inspection fees	-	160	160
Water connect charges	202,740	-	202,740
Tapping fees	190,921	11,331	202,252
Operations maintenance fees	<u>129,410</u>	<u>55,784</u>	<u>185,194</u>
Total operating revenue	10,357,625	2,709,846	13,067,471
<b><u>Direct operating expenses:</u></b>			
Operating contract	2,878,375	931,808	3,810,183
Tapping charges	54,116	3,500	57,616
Power	577,009	331,862	908,871
Maintenance	577,530	554,560	1,132,090
Chemicals	290,408	110,132	400,540
Testing-sewer	-	82,054	82,054
Engineering services	54,960	3,415	58,375
Water purchased	1,905,849	-	1,905,849
Water used in sewer plant	-	7,527	7,527
Service and franchise fees	1,360	9,516	10,876
Right of way	<u>-</u>	<u>-</u>	<u>-</u>
Total direct operating expenses	<u>6,339,607</u>	<u>2,034,374</u>	<u>8,373,981</u>
<b><u>Net operating income</u></b>	4,018,018	675,472	4,693,490
<b><u>Administrative expenses</u></b>	<u>856,357</u>	<u>212,710</u>	<u>1,069,067</u>
<b><u>Net operating profit</u></b>	3,161,661	462,762	3,624,423
<b><u>Other income</u></b>	580,601	156,290	736,891
<b><u>Other expenses</u></b>	<u>953,651</u>	<u>256,130</u>	<u>1,209,781</u>
<b><u>Net income before amortization and depreciation</u></b>	2,788,611	362,922	3,151,533

GREATER OUACHITA WATER COMPANY  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b><u>Amortization and depreciation:</u></b>			
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>1,781,877</u>	<u>736,142</u>	<u>2,518,019</u>
Total amortization and depreciation	<u>1,789,225</u>	<u>737,979</u>	<u>2,527,204</u>
<b><u>Excess (deficit) of revenues over expenses</u></b>	999,386	(375,057)	624,329
Pension and post retirement changes other than net periodic benefit cost	<u>(268,757)</u>	<u>(40,550)</u>	<u>(309,307)</u>
<b><u>Net increase for the year</u></b>	<u>730,629</u>	<u>(415,607)</u>	<u>315,022</u>

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES-BY PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Admini- strative Expenses</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Operating contract	-	2,878,375	931,808	3,810,183
Tapping charges	-	54,116	3,500	57,616
Power	-	577,009	331,862	908,871
Maintenance	-	577,530	554,560	1,132,090
Chemicals	-	290,408	110,132	400,540
Testing	-	-	82,054	82,054
Water used in sewer plants	-	-	7,527	7,527
Service and franchise fees	-	1,360	9,516	10,876
Accounting	25,000	-	-	25,000
Consulting fees	223,798	-	-	223,798
Bank charges	46,670	-	-	46,670
Dues and subscriptions	1,064	-	-	1,064
Engineering fees	-	54,960	3,415	58,375
Inspection and supervision fees	22,363	-	-	22,363
Insurance	76,855	-	-	76,855
Interest	-	871,266	250,900	1,122,166
Legal and administrative	360,912	-	-	360,912
Office expenses	1,543	-	-	1,543
Postage	143	-	-	143
Rent	23,421	-	-	23,421
Salaries	208,540	-	-	208,540
Taxes and licenses	18,311	-	-	18,311
Travel	481	-	-	481
Trustee fees	10,405	-	-	10,405
Provision for bad debts	-	30,837	5,530	36,367
Interest paid on customer accounts	-	51,248	-	51,248
Pension expense	49,561	-	-	49,561
Amortization	-	6,429	2,756	9,185
Depreciation	-	1,781,877	736,142	2,518,019
Total	<u>1,069,067</u>	<u>7,175,415</u>	<u>3,029,702</u>	<u>11,274,184</u>

GREATER OUACHITA WATER COMPANY  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Accounting	19,553	5,447	25,000
Consulting fees	175,035	48,763	223,798
Bank charges	36,501	10,169	46,670
Dues and subscriptions	832	232	1,064
Inspection and supervision fees	17,490	4,873	22,363
Insurance	60,109	16,746	76,855
Legal and administrative	299,938	60,974	360,912
Office expenses	1,207	336	1,543
Postage	112	31	143
Rent	18,318	5,103	23,421
Salaries	163,101	45,439	208,540
Taxes and licenses	14,452	3,859	18,311
Travel	375	106	481
Trustee fees	6,270	4,135	10,405
Pension expense	<u>43,064</u>	<u>6,497</u>	<u>49,561</u>
Total administrative expenses	<u>856,357</u>	<u>212,710</u>	<u>1,069,067</u>



**OTHER REPORTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

June 27, 2017

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, 2016, 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 (disclaimer) thereon dated June 27, 2017. Our report disclaims an opinion on such financial statements because of issues with meter readings during the year.

## **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 identify one deficiency in internal control over financial reporting that we consider to be a material weakness. We considered the deficiency described in the accompanying schedule of findings as item 2016-2 to be a material weakness.

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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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2016-1. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

## 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, 2016

**Section A - Summary of Audit Results**

1. The auditor's report disclaimed an opinion on the basic financial statements of the Greater Ouachita Water Company.
2. One material weakness was 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. One instance of noncompliance relating to the basic financial statements of the Greater Ouachita Water Company was disclosed during the engagement to perform an audit.
4. The Greater Ouachita Water Company was not subject to a federal single audit for the year ended August 31, 2016.

**Section B - Financial Statement Findings**

2016-1: Filing of Audit Report

The report for the engagement to perform an audit was not submitted to the Legislative Auditor within 180 days of the close of the entity's fiscal year as required by state statute.

Management's Response

Management will make every effort to submit its report on time. It was filed late due to issues around billings.

2016-2: Inadequate Internal Controls

In attempting to test revenue transactions, we determined overall internal controls were inadequate. The Company is aware of billing and meter reading issues provided by its third party provider during the year. The degree of billing errors is unknown at this time. There is an on-going audit of the internal controls of billings by the third party provider; however, it has not been completed. Once management reviews the audit, they will address any issues presented.

GREATER OUACHITA WATER COMPANY

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2016

No prior year findings.