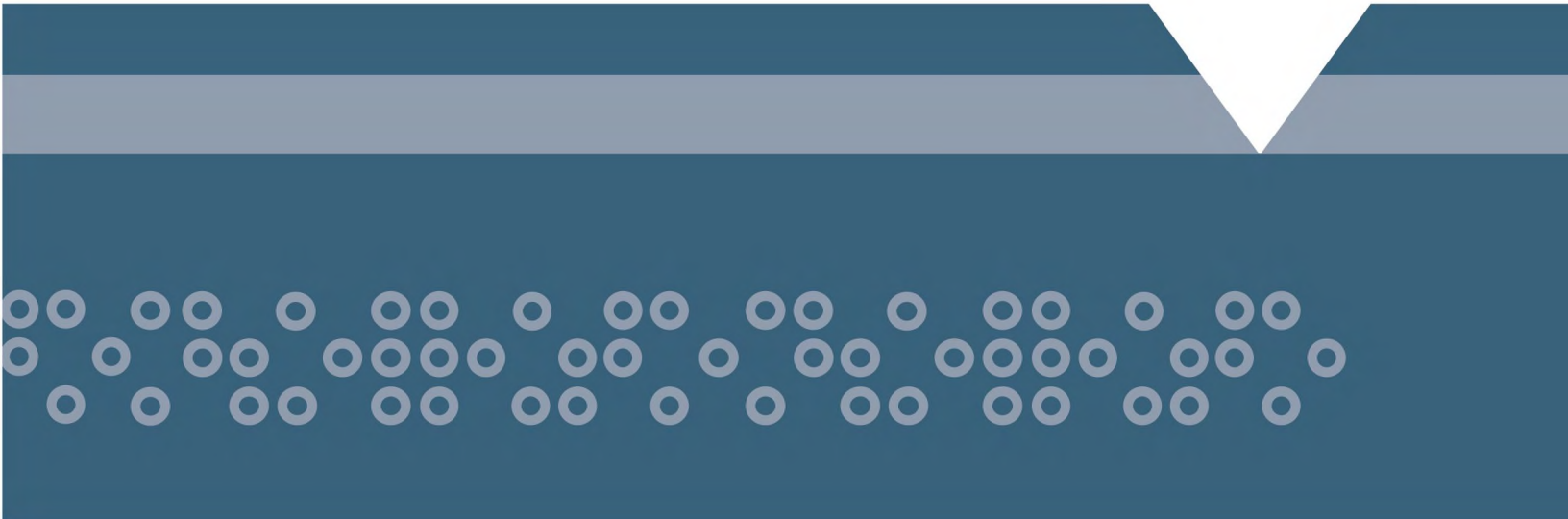


Greater Ouachita Water Company
Monroe, Louisiana

August 31, 2022



GREATER OUACHITA WATER COMPANY

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AUDITED FINANCIAL STATEMENTS



REGIONS TOWER
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Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Greater Ouachita Water Company, which comprise the statement of financial position, as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Ouachita Water Company as of August 31, 2022, 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.

Basis for Opinion

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. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Greater Ouachita Water Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Greater Ouachita Water Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are

free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Greater Ouachita Water Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Greater Ouachita Water Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules presented on pages 20 to 22 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 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 28, 2023, 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
February 28, 2023

GREATER OUACHITA WATER COMPANY

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2022

ASSETS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost	\$ 123,347,770
Accumulated depreciation	<u>(47,873,625)</u>
Net property, plant and equipment	<u>75,474,145</u>

INVESTMENT SECURITIES

Revenue fund	654,309
Reserve fund	22,680
Renewals, replacements and extensions fund	476,469
2021 Water improvements fund	369,277
2021 Debt service fund	89,189
2019 Cost issuance fund	2,316
2019 Water project fund	7,304,372
2019 Debt services fund	2,683,989
2019 Reserve fund	<u>2</u>
Total investment securities	<u>11,602,603</u>

CURRENT ASSETS

General fund cash	2,338,885
Accounts receivable, net	3,277,914
Prepaid expenses	<u>569,155</u>
Total current assets	<u>6,185,954</u>

OTHER ASSETS

Unamortized bond issuance expense	<u>2,933,397</u>
Total other assets	<u>2,933,397</u>
Total assets	<u>\$ 96,196,099</u>

(Continued)

GREATER OUACHITA WATER COMPANY

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2022

LIABILITIES AND NET ASSETS

LONG-TERM DEBT

Bonds payable-Series 2019	\$ 70,470,000
Bonds reoffering Premium-Series 2019	4,574,444
Bonds payable-Series 2021	5,000,000
Less current maturities of long-term debt	<u>(1,400,000)</u>
Total long-term debt	<u>78,644,444</u>

FUNDED LIABILITIES

Interest payable	<u>1,267,175</u>
Total funded liabilities	<u>1,267,175</u>

CURRENT LIABILITIES

Accounts payable-trade	924,288
Accounts payable-other sewer districts	677,798
Current maturities of long-term debt	1,400,000
Payroll and sales taxes payable	10,959
Accured insurance	<u>63,026</u>
Total current liabilities	<u>3,076,071</u>

DEFERRED LIABILITIES

Customer meter deposits	1,854,957
Pension fund liability	<u>2,322</u>
Total deferred liabilities	<u>1,857,279</u>
Total liabilities	84,844,969

NET ASSETS

Undesignated	10,989,163
Invested in capital assets, net of debt	<u>326,857</u>
Total net assets	<u>11,316,020</u>
Total liabilities and net assets	<u><u>\$ 96,160,989</u></u>

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

GREATER OUACHITA WATER COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Without Donor Restrictions</u>
OPERATING REVENUES	
Charges for services	\$ 17,195,164
Late payment charges	215,867
Reconnect charges	400
Water connect charges	205,100
Tapping fees	272,441
Sewer maintenance agreement	378,883
Safe drinking water fees program	14,468
Operations maintenance fees	486,593
Other income	382,868
	<u>19,151,784</u>
Total operating revenues	
OPERATING EXPENSES	
Program expenses	15,050,886
Administrative expenses	1,312,424
	<u>16,363,310</u>
Total operating expenses	
NET OPERATING INCOME	<u>2,788,474</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	18,375
Miscellaneous	8,539
Interest expense	(2,477,732)
Loss on sale of assets	(6,329)
Pension expense	(4,470)
	<u>(2,461,617)</u>
Total nonoperating revenues (expenses)	
CHANGE IN NET ASSETS	326,857
NET ASSETS AT BEGINNING OF YEAR	<u>10,989,163</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 11,316,020</u></u>

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

GREATER OUACHITA WATER COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Program</u>			<u>Total</u>
	<u>Water Services</u>	<u>Sewer Services</u>	<u>Administrative</u>	
Operating contract	\$ 4,368,968	\$ 968,238	\$ -	\$ 5,337,206
Tapping charges	9,150	-	-	9,150
Power	824,365	518,667	-	1,343,032
Maintenance	701,194	519,804	-	1,220,998
Chemicals	1,051,234	81,807	-	1,133,041
Testing	-	61,656	-	61,656
Water meter monitoring	230,919	-	-	230,919
Water purchases	1,417,860	-	-	1,417,860
Water used in sewer plant	-	47,048	-	47,048
Sterlington franchise fee	60,000	-	-	60,000
Service and franchise fee	(1,907)	5,376	-	3,469
Accounting	-	-	27,256	27,256
Bank charges	-	-	21,606	21,606
Consulting fees	-	-	102,734	102,734
Dues and subscriptions	-	-	623	623
Engineering fees	61,081	140	-	61,221
Inspection and supervision fee	-	-	37,820	37,820
Insurance	-	-	343,818	343,818
Legal and administrative	-	-	205,261	205,261
Office expense	-	-	156,297	156,297
Postage	-	-	6,734	6,734
Rent	-	-	54,400	54,400
Right of way	32,315	34,733	-	67,048
Salaries	-	-	289,810	289,810
Taxes and licenses	-	-	47,899	47,899
Trustee fees	-	-	12,500	12,500
Travel	-	-	5,666	5,666
Amortization	77,153	33,065	-	110,218
Depreciation	2,694,936	1,253,084	-	3,948,020
Total operating expenses	<u>\$ 11,527,268</u>	<u>\$ 3,523,618</u>	<u>\$ 1,312,424</u>	<u>\$ 16,363,310</u>

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

GREATER OUACHITA WATER COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 326,857
Noncash items included in net income:	
Depreciation and amortization	4,058,238
Bond premiums amortized to interest expense	(169,423)
Change in operating assets and liabilities:	
Accounts receivable, net	(480,246)
Prepaid expenses	319,385
Accounts payable	236,452
Accrued expenses	(31,249)
	<hr/>
Net cash provided by operating activities	4,260,014

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(20,210,768)
Investment in special funds	13,694,077
	<hr/>
Net cash (used in) investing activities	(6,516,691)

CASH FLOWS FROM FINANCING ACTIVITIES

Customer meter deposits	114,858
Proceeds from bond issuance, net of expense	3,800,000
Payments on bonds payable	(1,330,000)
Accounts payable-sewers	82,705
	<hr/>
Net cash provided by financing activities	2,667,563
NET INCREASE IN CASH	410,886
CASH AT BEGINNING OF YEAR	1,892,889
CASH AT END OF YEAR	<hr/> <hr/> <u>\$ 2,303,775</u>

SUPPLEMENTARY DISCLOSURE OF CASH FLOW:

Interest paid	<hr/> <hr/> <u>\$ 2,341,559</u>
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The accompanying notes are an integral part of these financial statements.

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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 Northeast Louisiana Utilities of Louisiana to operate the system.

Revenue bonds were issued in nine 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. Proceeds from the eighth series (Series 2019) were received in September 2019. Proceeds from the ninth series (Series 2021) were received in April 2021.

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

(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

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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, 2022, the balance in the Debt Service Fund was \$2,683,989. Interest payable at August 31, 2022, was \$1,267,175 and the current portion of bonds payable was \$1,400,000.
- 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 \$7,304,372.

(d) *Deferred Charges and Amortization*

Premiums on bonds redeemed by the Company are being amortized over the term of the new bonds issued.

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

Balance at August 31, 2021	\$ 3,043,615
Less: Amortization	<u>(110,218)</u>
Balance at August 31, 2022	<u><u>\$ 2,933,397</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.

(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 \$1,010,617, 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.

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

(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, 2022, 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, 2022, 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, 2022, 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 \$17,788,557 of financial assets available within one year of the balance sheet date, consisting 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.

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

3. Property, Plant and Equipment

Property, plant, and equipment is stated at the acquisition costs of the assets, 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 values. 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, 2022, totaled \$20,210,768. Shown below is an analysis of the cost of the system by expenditures from various funds:

	Balance as of August 31, 2021	2022 Additions	2022 Retirements	Balance as of August 31, 2022
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	73,918,093	20,210,768	-	94,128,861
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
Total	\$ 103,137,002	\$ 20,210,768	\$ -	\$ 123,347,770

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

The details of plant and equipment are as follows:

Water mains and extensions	\$ 32,510,018
Water service lines	7,907,642
Water meters	11,341,113
Water wells	25,318,921
Water chlorine equipment	958,387
Meter stations	170,637
Sewer	41,107,515
Buildings	77,817
Other equipment	1,115,489
Land	<u>2,840,231</u>
Total	<u>\$ 123,347,770</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 was originally 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 was originally 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

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

September 1 of each year. The bonds were originally subject to mandatory redemption starting in September 2024.

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, and 2013 Bonds (includes premiums 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 Company issued bonds as of September 1, 2021 (Series 2021). The par value of the bonds was \$5,000,000. The proceeds of the loan will be used to finance the construction of three new water wells and pay issuance costs. The bonds were drawn down over an 18-month period as follows:

<u>Draw Date</u>	<u>Amount</u>
April 23, 2021	\$ 1,200,000
September 1, 2021	1,400,000
December 1, 2021	1,900,000
March 1, 2022	<u>500,000</u>
	<u>\$ 5,000,000</u>

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

The annual debt service requirements to maturity, including principal, interest, and bond amortization for long-term debt as of August 31, 2022, are as follows:

Due September 1,	Principal	Interest	Total
2022	\$ 1,400,000	\$ 2,708,850	\$ 4,108,850
2023	1,970,000	2,638,850	4,608,850
2024	2,020,000	2,577,300	4,597,300
2025	2,110,000	2,484,001	4,594,001
2026-2030	12,055,000	10,862,971	22,917,971
2031-2035	12,030,000	8,271,088	20,301,088
2036-2040	13,100,000	5,893,250	18,993,250
2041-2045	16,085,000	3,681,150	19,766,150
2046-2049	14,700,000	1,118,700	15,818,700
	<u>\$ 75,470,000</u>	<u>\$ 40,236,160</u>	<u>\$ 115,706,160</u>

5. Regulatory Compliance

The Greater Ouachita Water Company is regulated by the Louisiana Department of Health (LDH), 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.

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.

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

At August 31, 2022, the breakdown of the fair value of Plan assets held is as follows:

	Amount	Percentage
Cash equivalents	\$ 86,126	5.14%
Mutual funds-equities	650,888	38.84%
Mutual funds-fixed income	938,834	56.02%
	\$ 1,675,848	100.00%

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

For the year ended August 31, 2022, the net return on the Plan assets was \$249,113. 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, 2022.

1. Change in Benefits Obligation

a. Benefit obligation at August 31, 2021

as previously stated	\$ 1,219,191
restatement	(430,784)
as restated	788,407
b. Employer service cost	137,885
c. Employee contributions for the year	-
d. Interest cost	35,447
e. Amendments	-
f. Actuarial (gain) loss	(227,020)
g. Changes in actuarial cost methods and/or systems	-
h. Benefits paid	(1,369)
i. Benefit obligation at August 31, 2022 (sum a through h)	\$ 733,350

continued

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

2. Change in Plan Assets	
a. Assets at August 31, 2021	\$ 1,917,709
b. Actual return on Plan assets	(240,493)
c. Expenses	-
d. Employer contributions	-
e. Employee contributions	-
f. Benefits paid and transfers	(1,369)
g. Assets at August 31, 2022 (sum a through f)	<u>\$ 1,675,847</u>
3. Funded (Unfunded) Status	
a. (Accrued) prepaid pension cost	\$ 942,497
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	-
4) Total unrecognized (expense) asset	<u>-</u>
c. Funded status (unfunded PBO) at August 31, 2022 (a + b4)	<u>\$ 942,497</u>
4. Weighted-Average Assumptions at Year-End	
a. Interest rate used to calculate net periodic pension cost	4.50%
b. Interest rate used to calculate year-end disclosure information (discount rate)	4.50%
c. Expected return on Plan assets	5.00%
d. Salary scale to calculate NPPC for FY that began September 1, 2021	5.00%
e. Salary scale for disclosure information as of August 31, 2022	5.00%
5. Components of Net Periodic Benefit Cost	
a. Service cost	(137,885)
b. Interest cost	(35,447)
c. Expected return on Plan assets	95,851
d. Amortization of transition (asset) obligation	-
e. Amortization of prior service cost	-
f. Amortization of actuarial gain	81,537
f. Settlements or curtailments	-
g. Net periodic benefit cost (sum a through f)	<u>\$ 4,056</u>

continued

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

6. Projection of Benefits for Next Ten Fiscal Years

<u>Fiscal Years</u>	<u>Projected Benefits</u>
2023	219,511
2024	1,367
2025	1,363
2026	1,363
2027	1,361
Sum of fiscal years 2028 through 2033	6,754

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, 2022, the Company's uninsured cash balance was \$1,423,633.

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 \$148,297 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.

GREATER OUACHITA WATER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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 28, 2023, 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

SCHEDULE I: SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2022

	Water System	Sewer System	Total
OPERATING REVENUES			
Charges for services	\$ 13,549,121	\$ 3,646,043	\$ 17,195,164
Late payment charges	159,073	56,794	215,867
Water connect charges	205,100	-	205,100
Tapping fees	259,036	13,405	272,441
Sewer maintenance agreement	-	378,883	378,883
Operations maintenance fees	378,986	107,607	486,593
Other	293,886	103,850	397,736
Total operating revenues	14,845,202	4,306,582	19,151,784
DIRECT OPERATING EXPENSES			
Operating contract	4,368,968	968,238	5,337,206
Power	824,365	518,667	1,343,032
Maintenance	701,194	519,804	1,220,998
Chemicals	1,051,234	81,807	1,133,041
Water purchased	1,417,860	-	1,417,860
Other	391,558	148,953	540,511
Total operating expenses	8,755,179	2,237,469	10,992,648
NET OPERATING INCOME	6,090,023	2,069,113	8,159,136
ADMINISTRATIVE EXPENSES	1,028,155	284,269	1,312,424
NET OPERATING PROFIT	5,061,868	1,784,844	6,846,712
OTHER REVENUE	22,839	4,075	26,914
OTHER EXPENSES	(1,757,612)	(730,919)	(2,488,531)
NET INCOME BEFORE AMORTIZATION AND DEPRECIATION	3,327,095	1,058,000	4,385,095
AMORTIZATION AND DEPRECIATION			
Amortization	77,153	33,065	110,218
Depreciation	2,694,936	1,253,084	3,948,020
Total amortization and depreciation	2,772,089	1,286,149	4,058,238
EXCESS OF REVENUES OVER EXPENSES	\$ 555,006	\$ (228,149)	\$ 326,857

GREATER OUACHITA WATER COMPANY

SCHEDULE II: SCHEDULE OF ADMINISTRATIVE EXPENSES BY PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2022

	Water System	Sewer System	Total
Accounting	\$ 21,477	\$ 5,779	\$ 27,256
Bank charges	17,025	4,581	21,606
Consulting fees	80,950	21,784	102,734
Dues	491	132	623
Inspection and supervision fee	29,800	8,020	37,820
Insurance	270,915	72,903	343,818
Legal and administrative	180,884	24,377	205,261
Office expense	123,156	33,141	156,297
Postage	5,306	1,428	6,734
Rent	42,865	11,535	54,400
Salaries	228,360	61,450	289,810
Taxes and licenses	16,212	31,687	47,899
Travel	4,464	1,202	5,666
Trustee fees	6,250	6,250	12,500
Total administrative expenses	<u>\$ 1,028,155</u>	<u>\$ 284,269</u>	<u>\$ 1,312,424</u>

GREATER OUACHITA WATER COMPANY
SCHEDULE III: SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED AUGUST 31, 2022

AGENCY HEAD: Philip McQueen, President

Salary	\$	105,600
Benefits insurance	\$	17,254

OTHER REPORTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

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, 2022, 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 28, 2023.

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.

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
February 28, 2023

GREATER OUACHITA WATER COMPANY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2022

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.
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, 2022.

Section B - Financial Statement Findings

No matters were reported.