

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

Financial Statements
With Accountant's Compilation Report

As of and for the Year Ended
December 31, 2020

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Harrisonburg, Louisiana

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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

Accountant's Compilation Report

BOARD OF DIRECTORS
ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

Management is responsible for the accompanying financial statements of Enterprise Waterworks, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in Schedule 1 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to my compilation engagement. I have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

I am not independent with respect to Enterprise Waterworks, Inc., for the year ended December 31, 2020.

Carleen Dumas
Calhoun, Louisiana
May 18, 2021

FINANCIAL STATEMENTS

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current assets:	
Cash	\$16,504
Accounts receivable	11,128
Total current assets	27,632
Cash with contractual restrictions/board designations	57,607
Property, plant, and equipment (net of accumulated depreciation)	241,820
TOTAL ASSETS	\$327,059

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$15,425
Accrued interest payable	664
Current portion of loans payable	14,514
Total current liabilities	30,603
Long-term liabilities - loans payable	429,870
Total liabilities	460,473
Net assets without donor restrictions (deficit)	(133,414)
TOTAL LIABILITIES AND NET ASSETS	\$327,059

See accompanying notes and accountant's compilation report.

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Operating Revenue:	
Water sales	\$134,965
Penalties	1,587
Membership and connection fees	2,071
Reconnect fees	1,600
Other	50
Total operating revenue	<u>140,273</u>
Operating Expenses:	
Advertising and promotion	284
Dues and subscriptions	510
Insurance	2,088
Management fee	23,180
Postage	711
Maintenance and repairs	63,236
Materials and supplies	4,369
Utilities	14,752
Chemicals	12,704
Tax and fees	71
Professional fees	841
Safe drinking water fee	2,200
Depreciation	34,633
Office supplies	211
Total operating expenses	<u>159,790</u>
Operating Income (Loss)	<u>(19,517)</u>
Non-Operating Revenue (Expense)	
Catahoula Parish Police Jury grant	5,828
Interest expense	<u>(14,378)</u>
Total non-operating revenue (expense)	<u>(8,550)</u>
Decrease in Net Assets	(28,067)
Net Assets at Beginning of Year (Deficit)	<u>(105,347)</u>
Net Assets at End of Year (Deficit)	<u><u>(\$133,414)</u></u>

See accompanying notes and accountant's compilation report.

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

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

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	<u>(\$28,067)</u>
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	34,633
Increase in accounts receivable	(2,558)
Increase in accounts payable	5,150
Interest expense	<u>14,378</u>
Total adjustments	<u>51,603</u>
Net cash provided by operating activities	<u>23,536</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(13,298)
Interest on long-term debt	<u>(14,431)</u>
Net cash used by financing activities	<u>(27,729)</u>

NET DECREASE IN CASH

(4,193)

CASH AT BEGINNING OF YEAR78,304**CASH AT END OF YEAR**\$74,111**Reconciliation of cash per statement of cash flows to
cash per statement of financial position:**

Cash	\$16,504
Cash with contractual restrictions/board designations	<u>57,607</u>
Total cash	<u><u>\$74,111</u></u>

See accompanying notes and accountant's compilation report.

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

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

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Enterprise Waterworks, Inc., is a nonprofit organization domiciled in Harrisonburg, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are elected by members of the water system. Enterprise Waterworks, Inc., provides water to members residing within the territorial boundaries of the water system. The water system has approximately 191 members and no employees. The water system contracts with JCP Management to operate and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Directors of the water system.

B. RECEIVABLES

Accounts receivable consist of amounts due from members for water service and bulk water sales provided prior to year end. Receivables are generally shown net of an allowance for uncollectible accounts. These statements contain no provision for uncollectible accounts. The water system is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole. Past due accounts are written off when they are considered uncollectible by management.

C. FIXED ASSETS

Major improvements to the original water system that have been made since 1980 have been capitalized by the water system. Fixed assets are recorded at estimated cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over an estimated useful life of 20 to 30 years. Depreciation expense for the year ended December 31, 2020 was \$34,633.

D. INCOME TAX STATUS

Enterprise Waterworks, Inc., is a nonprofit organization that is exempt from federal income taxes under Section 501 (c) (5) of the Internal Revenue Code.

The water system's Forms 990, *Return of Organization Exempt from Income Tax*,

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana
Notes to the Financial Statements

for the years ending 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

E. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. INTEREST COSTS

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

Total interest cost expensed	\$14,378
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$14,378</u>

G. FUNCTIONAL ALLOCATION OF EXPENSES

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

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2020, the water system had \$74,111 in checking accounts that were fully covered by federal deposit insurance.

3. RECEIVABLES

Accounts receivable consist of amounts due from members for water service and bulk water sales and consist of the following at December 31, 2020:

Water sales to members	\$10,658
Bulk water sales	470
Less - allowance for uncollectible accounts	<u>NONE</u>

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana
Notes to the Financial Statements

Net \$11,128

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system has adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively Accounting Standards Codification ("ASC") 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The water system's revenue from contracts with customers within the scope of ASC 606 is reported as water sales, penalties, membership and connection fees, and reconnect fees on the Statement of Activities. Water sales are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed each month for the number of gallons of water delivered during the billing cycle and payment is due the following month. The receivable for water fees was \$8,570 at the beginning of the year and \$11,128 at the end of the year. All other fees are recognized when the customer pays the fee.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets at December 31, 2020	\$85,239
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions - debt service	(21,624)
Board designations - debt service	<u>(35,983)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$27,632</u>

6. FIXED ASSETS

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

Water system improvements	\$1,085,268
Less accumulated depreciation	<u>(843,448)</u>
Net	<u>\$241,820</u>

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana
Notes to the Financial Statements

7. LOANS PAYABLE

At December 31, 2020, there is a total of \$444,384, remaining on the principal balances of four loans. Two of the loans were obtained from the United States Department of Agriculture - Rural Development. These loans are secured by mortgages of certain properties owned by the water system that are described within the related instruments of mortgage and the pledge of revenues. The total original amount of the loans was \$419,387 and the loan proceeds were used to fund the construction and acquisition of the water system's fixed assets.

During the year ended December 31, 2015, the water system entered into an agreement with the Louisiana Department of Transportation and Development (DOTD) to relocate water lines that were located within the limits of a road construction project. The agreement with DOTD provides that the water system is responsible for repaying \$46,551 of the funding received from DOTD. The loan is non-interest bearing. The water system normally makes a \$500 annual payment to DOTD; however, no payment was made during 2020.

On March 16, 2018, the water system signed a promissory note to JCP Management, Inc., in the amount of \$71,761, to pay off a portion of its accounts payable. The loan is interest-free and is being repaid in monthly payments of \$555 through December 15, 2028.

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

Loans payable at January 1, 2020	\$457,682
Additions	NONE
Reductions	<u>(13,298)</u>
Loans payable at December 31, 2020	<u>\$444,384</u>

Loans payable at December 31, 2020 are comprised of the following individual loans:

2007 \$281,000 Promissory Note due in monthly installments of \$1,212 through 2047; interest at 4.125 percent.	\$232,450
2007 \$138,387 Promissory Note due in monthly installments of \$590 through 2047; interest at 4.125 percent.	113,492
2015 \$46,551 DOTD Utility Relocation Assistance Funds (URAF) being paid with \$500 annual installments	45,551

ENTERPRISE WATERWORKS, INC.
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Notes to the Financial Statements

2018 \$71,761 Promissory Note to JCP Management due in monthly principal installments of \$555 through 2028.	<u>\$52,891</u>
Total	<u><u>\$444,384</u></u>

The annual requirements to amortize all loans outstanding at December 31, 2020, except the URAF loan, are as follows:

Year	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$14,270	\$14,014	\$28,284
2022	13,967	14,317	28,284
2023	13,651	14,633	28,284
2024	13,322	14,962	28,284
2025	12,980	15,304	28,284
2026 - 2030	59,246	68,465	127,711
2031 - 2035	48,299	59,821	108,120
2036 - 2040	34,900	73,220	108,120
2041 - 2045	18,500	89,620	108,120
2046 - 2047	2,011	34,477	36,488
Total	<u>\$231,146</u>	<u>\$398,833</u>	<u>\$629,979</u>

**8. NET ASSETS WITH CONTRACTUAL RESTRICTIONS/
BOARD DESIGNATIONS**

The loan agreements with the United States Department of Agriculture - Rural Development for the loans discussed in note 7 above, requires the water system to set aside certain amounts in reserve accounts. At December 31, 2020, a total of \$57,607 was set aside to meet these requirements.

9. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 7 above, 78% of the water system's debt is with the United States Department of Agriculture - Rural Development. The water system's facilities and all of its revenues are pledged as collateral for this debt.

10. OPERATION AND MAINTENANCE AGREEMENT

Enterprise Waterworks, Inc., entered into an agreement with JCP Management, Inc., to operate

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana
Notes to the Financial Statements

and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Directors of the water system and in accordance with the annual budget and fee schedule adopted by the water system. During the year ended December 31, 2020, JCP Management billed the water system a total of \$44,928 for services under the agreement. In addition, Womack and Sons Construction Group billed the water system a total of \$29,228 for repairs and maintenance. The president of JCP Management is also the president of Womack and Sons Construction Group. The amount due JCP Management at December 31, 2020 was \$3,967 and the amount due Womack and Sons Construction Group was \$603.

11. GOING CONCERN

As of December 31, 2020, the water system had a deficit in net assets of \$133,414. The Board of Directors approved a water rate increase that went into effect with the December 2017 billing. The flat rate for residential customers increased from \$25 to \$39 for the first 2,000 gallons and the flat rate for commercial customers increased from \$50 to \$64 for the first 2,000 gallons. Residential and commercial customers are charged \$7.75 per 1,000 gallons for gallons in excess of 2,000. The water system had a \$28,067 decrease in net assets for the year ended December 31, 2020 due to an increase in repairs and maintenance expense for the year.

12. SUBSEQUENT EVENTS

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

Enterprise Waterworks, Inc., has evaluated subsequent events through May 18, 2021, the date which the financial statements were available to be issued.

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Year Ended December 31, 2020

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

The schedule of compensation, benefits, and other payments to agency head is presented in compliance with Louisiana Revised Statute 24:513 A (3).

ENTERPRISE WATERWORKS, INC.
Harrisonburg, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2020

BOARD COMPENSATION

John Tiser - President

NONE