

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

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FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

AUGUST 31, 2010

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/25/11

GREATER OUACHITA WATER COMPANY  
AUGUST 31, 2010

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"The CPA. Never Underestimate The Value."

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- Accounting & Auditing
  - HUD Audits
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- Bookkeeping & Payroll Services

January 31, 2011

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Greater Ouachita Water Company  
Monroe, Louisiana 71201

We have audited the accompanying statement of financial position of the Greater Ouachita Water Company (a nonprofit organization) as of August 31, 2010, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Greater Ouachita Water Company taken as a whole. The accompanying financial information listed as supplementary

financial information in the table of contents for the year ended August 31, 2010, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2011 on our consideration of Greater Ouachita Water Company's internal control structure and its compliance with laws, regulations, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Johnston, Perry, Johnson & Associates, L.L.P.*

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January 31, 2011

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Greater Ouachita Water Company (a nonprofit organization) as of and for the year ended August 31, 2010, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with accounting 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.

### Compliance

As part of obtaining reasonable assurance about whether Greater Ouachita Water Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greater Ouachita Water Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing

our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Johnston, Perry, Johnson & Associates, L.L.P.*  
JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2010

ASSETS

PLANT AND EQUIPMENT

Cost of Systems	46,902,460	
Accumulated Depreciation	(16,561,385)	

NET PLANT AND EQUIPMENT

30,341,075

INVESTMENTS - CURRENT

Bond Interest Fund	475,363	
Reserve Fund	260,358	
Renewals, Replacements and Extensions Fund	108,129	
Bond Fund Principal	535,035	
Construction Fund	<u>218,413</u>	

TOTAL INVESTMENTS - CURRENT

1,597,298

CURRENT ASSETS

General Fund Cash	258,000	
Accounts Receivable - Customers (Net)	1,741,304	
Prepaid Expense	<u>46,034</u>	

TOTAL CURRENT ASSETS

2,045,338

OTHER ASSETS

Unamortized Bond Issue Expense (Note B)	155,067	
Over-Funded Pension Benefits	<u>44,824</u>	

TOTAL OTHER ASSETS

199,891

TOTAL ASSETS

34,183,602

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

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AUGUST 31, 2010

LIABILITIES

LONG-TERM DEBT (NOTE D)

Bonds Payable - Series 1994A	590,000
Bonds Payable - Series 97A&B	2,300,000
Bonds Payable - Series 2003	8,460,000
Bonds Payable - Series 2009	11,000,000
Less: Current Maturities of Long-Term Debt	<u>( 535,000)</u>

TOTAL LONG-TERM DEBT 21,815,000

FUNDED LIABILITIES

Interest Payable	<u>475,351</u>
------------------	----------------

TOTAL FUNDED LIABILITIES 475,351

CURRENT LIABILITIES

Accounts Payable - Trade	1,026,014
Accounts Payable - West Ouachita Sewer	374,565
Accounts Payable - Other Sewer	52,074
Current Maturities of Long-Term Debt	535,000
Payroll Taxes Payable	1,193
Sales Taxes Payable	-
Accrued Insurance	<u>36,834</u>

TOTAL CURRENT LIABILITIES 2,025,680

DEFERRED LIABILITIES

Customer Meter Deposits	<u>576,069</u>
-------------------------	----------------

TOTAL DEFERRED LIABILITIES 576,069

TOTAL LIABILITIES 24,892,100

NET ASSETS

UNRESTRICTED NET ASSETS (SURPLUS) 9,291,502

TOTAL LIABILITIES AND NET ASSETS 34,183,602

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



GREATER OUACHITA WATER COMPANY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2010

<u>OPERATING REVENUE</u>		
Charges for Services	8,167,706	
Forfeited Discounts	152,791	
Reconnect Charges	167,400	
Sewer Inspection Fees	290	
Water Service Charges	183,251	
Tapping Fees	<u>123,361</u>	
<u>TOTAL OPERATING REVENUE</u>		8,794,799
<u>COST OF SALES</u>		
Water Purchased	1,324,481	
Water and Sewer Taps	<u>83,921</u>	
<u>TOTAL COST OF SALES</u>		<u>1,408,402</u>
<u>GROSS PROFIT</u>		7,386,397
<u>FUNCTIONAL EXPENSES</u>		
Operating Expenses	6,794,214	
Administrative Expenses	<u>619,899</u>	
<u>TOTAL FUNCTIONAL EXPENSES</u>		<u>7,414,113</u>
<u>NET OPERATING PROFIT (LOSS)</u>		( 27,716)
<u>OTHER REVENUES</u>		
Interest	926	
Sewer Maintenance Agreement	42,716	
Safe Drinking Water Fees Program	15,872	
Miscellaneous	<u>108,888</u>	
<u>TOTAL OTHER REVENUES</u>		<u>168,402</u>
Excess Of Revenues Over Expenses		140,686
Pension and Retirement Changes Other Than Net Periodic Benefit Cost		( 15,815)
<u>NET INCREASE (DECREASE) IN NET ASSETS</u>		124,871
<u>NET ASSETS AT BEGINNING OF YEAR</u>		<u>9,166,631</u>
<u>NET ASSETS AT END OF YEAR</u>		<u>9,291,502</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, 2010

	<u>ADMINISTRATIVE</u> <u>EXPENSES</u>	<u>OPERATING</u> <u>EXPENSES</u>	<u>TOTAL</u>
Operating Contract	-	2,341,655	2,341,655
Power	-	678,095	678,095
Maintenance	-	762,181	762,181
Chemicals	-	259,324	259,324
Testing	-	44,825	44,825
Water Used in Sewer Plant	-	2,669	2,669
Service and Franchise Fees	-	22,930	22,930
Right of Way	-	5,102	5,102
Accounting	16,627	-	16,627
Advertising	27	-	27
Bank Charges	43,496	-	43,496
Dues and Subscriptions	944	-	944
Engineering Fees	-	31,131	31,131
Inspection and Supervision Fee	13,510	-	13,510
Insurance	66,100	-	66,100
Interest	-	867,874	867,874
Legal and Administrative	289,966	-	289,966
Miscellaneous	13,490	-	13,490
Office Expenses	20,929	-	20,929
Postage	6,356	-	6,356
Rent	1,080	-	1,080
Salaries	90,309	-	90,309
Taxes and Licenses	6,985	24,085	31,070
Telephone	5,263	-	5,263
Travel	2,155	-	2,155
Trustee Fees	5,200	-	5,200
Provisions for Bad Debts	-	77,566	77,566
Interest Paid on Customer			
Accounts	-	30,283	30,283
Pension Expense	37,462	-	37,462
Amortization	-	18,001	18,001
Depreciation	-	<u>1,628,493</u>	<u>1,628,493</u>
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>619,899</u>	 <u>6,794,214</u>	 <u>7,414,113</u>

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

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

GREATER OUACHITA WATER COMPANY  
STATEMENT OF CASH FLOWS  
AUGUST 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets		124,871
Noncash Items Included in Net Income		
Amortization of Bond Issue Expense		18,001
Depreciation		1,628,493
Changes in:		
Accounts Receivable	( 209,017)	
Prepaid Expenses	15,038	
Over-Funded Pension Benefits	( 44,824)	
Interest Payable	200,427	
Accounts Payable - Trade	200,606	
Accounts Payable - Sewers	109,308	
Payroll Taxes	182	
Sales Taxes	-	
Accrued Insurance	( 11,772)	
Total Adjustments		<u>259,948</u>

NET CASH PROVIDED BY (USED BY)  
OPERATING ACTIVITIES

2,031,313

CASH FLOWS FROM INVESTING ACTIVITIES

Plant and Equipment		( 3,367,711)
Investments in Special Funds		<u>( 404,937)</u>

NET CASH PROVIDED BY (USED BY)  
INVESTING ACTIVITIES

(3,772,648)

CASH FLOWS FROM FINANCING ACTIVITIES

Customer Meter Deposits		9,478
Redemption of Bonds Payable	( 510,000)	
Payments on Line of Credit	( 8,773,653)	
Bond Costs	( 109,329)	
Proceeds from Bond Issue		<u>11,000,000</u>

NET CASH PROVIDED BY (USED BY)  
FINANCING ACTIVITIES

1,616,496

NET INCREASE (DECREASE) IN CASH

( 124,839)

CASH AT BEGINNING OF YEAR

382,839

CASH AT END OF YEAR

258,000

Interest Paid During the Year was \$667,448  
Income Taxes Paid During the Year were \$-0-

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2010

NOTE A - HISTORY AND ORGANIZATION:

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 six 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.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE A - HISTORY AND ORGANIZATION: (Continued)

The Company began operations September 28, 1964. It has an agreement with M-N Utilities, Inc., West Monroe, Louisiana to operate the system. Johnny D. Nichols, West Monroe, Louisiana, is the president and owner of M-N Utilities, Inc.

Officers and directors of the Company and salaries paid to them as officers during the period under review were:

W. D. Carter, Chairman of the Board and Secretary	23,389
Robert E. Bentz, Vice-President	18,192
Wood T. Sparks, President and Assistant Secretary	<u>43,313</u>
<u>Total</u>	<u>84,894</u>

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of Accounting

The Company uses the accrual method of accounting.

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

Special Funds

The Indentures of Mortgage requires 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 as follows:

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Special Funds (Continued)

1. Interest Fund until at least six months' interest on all outstanding bonds is accumulated or restored. On August 31, 2010, the balance in the Interest Fund was \$475,363. Interest payable at August 31, 2010 was \$475,351.
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 \$218,413.
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, 2011 will be \$535,000.

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, 2009		331,924
Add: Bond Costs Paid	109,328	
Less: Prior Year Amortization	(268,184)	
Less: Current Year Amortization	<u>( 18,001)</u>	
Total Amortization		<u>(176,827)</u>
Balance at August 31, 2010		<u>155,067</u>

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts of \$8,658. 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 \$658,542, which consist of revenues earned but not billed.

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.

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.

Advertising Expenses

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended August 31, 2010 were immaterial.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2010

NOTE C - 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, 2010, totaled \$3,367,711. Shown below is an analysis of the cost of the system by expenditures from various funds:

	<u>Balance 08/31/09</u>	<u>During Year</u>	<u>Balance 08/31/10</u>
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bond Proceeds Series 1965	907,211	-	907,211
General Fund	27,645,801	1,408,242	29,054,043
Renewals, Replacements and Extensions Fund	3,272,892	-	3,272,892
Improvements Fund	6,089,146	1,959,469	8,048,615
Revenue Fund	35,016	-	35,016
1994A Fund	1,670,072	-	1,670,072
97A&B Fund Contributions Lakeview Utilities, Inc.	1,911,211	-	1,911,211
Water and Sewer System	196,000	-	196,000
North Louisiana Production Corp. Water System	71,800	-	71,800
B & W Utilities, Inc. Water System	<u>44,658</u>	<u>-</u>	<u>44,658</u>
	43,766,015	3,367,711	47,133,726
Less: Retirements Gas System Transferred	( 231,266)	<u>-</u>	( 231,266)
<u>Total</u>	<u>43,534,749</u>	<u>3,367,711</u>	<u>46,902,460</u>

The details of plant and equipment are as follows:

Water Mains and Extensions	18,561,456
Water Service Lines	1,688,557
Water Meters	904,831
Water Wells	9,046,778
Water Chlorine Equipment	183,060
Meter Stations	170,637
Sewer	14,809,282
Other Equipment	211,837
Land	<u>1,326,022</u>
<u>Total</u>	<u>46,902,460</u>



GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE D - LONG-TERM DEBT:

The Company originally issued bonds known as "Waterworks and Natural Gas System Revenue Bonds" in two series. Series 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, now J. P. Morgan, Monroe, Louisiana on such date. Principal shall be payable annually on September 1 in each year commencing September 1, 1995.

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%.

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 shall begin at 3.950%.

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 shall begin at 4.100%.

During the year ended August 31, 2010, \$510,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$6,455,000. The balance of bonds outstanding at August 31, 2010 was \$22,350,000.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE D - LONG-TERM DEBT: (Continued)

Principal payments for the next five years are as follows:

Year Ended <u>August 31</u>	<u>Amount</u>
2011	535,000
2012	590,000
2013	830,000
2014	870,000
2015	910,000

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, 2010, the fair value of the long-term debt approximates the amounts recorded in the financial statements.

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY:

On or about March 16, 1990, the Louisiana Department of Environmental Quality (LaDEQ) issued Compliance Order No. WC-90-014 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of permits at the following facilities in Ouachita Parish, Louisiana: Audubon Park, Bayou Oaks, Belle Meade/Timberwood, Eastwood Estates, Garden Park, Huntington Park, Lakeview Park, Leisure Village, Lincoln Park, Pecan Bayou/Treasure Island, Royal Pines, and Shenandoah. In response thereto, Greater Ouachita Water Company made a request for hearing, which was granted.

On or about April 5, 1990, LaDEQ issued Proposed Penalty Notice WP-90-013 in the amount of \$6,000 to Greater Ouachita Water Company with regard to the alleged violations set forth in Compliance Order WC-90-014. In response thereto, Greater Ouachita Water Company made a timely request for a hearing, which was granted.

Greater Ouachita Water Company denied that it committed any of the violations alleged and further denied that it is liable for any fines, forfeitures, and/or penalties under

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY: (Continued)

Louisiana law, as alleged in Proposed Penalty Notice WP-90-013 and Compliance Order No. WC-90-014. Nonetheless, Greater Ouachita Water Company, without making any admission of liability under state or federal statute or regulation paid the total amount of the assessed penalty in the amount of \$6,000 in total settlement for the claims set forth in Compliance Order WC-90-014 and described in this Settlement Agreement and Penalty Notice WP-90-013, and those which could have been alleged subsequently with regard to Greater Ouachita Water Company's facilities.

On or about October 31, 2000, LaDEQ issued Consolidated Compliance Order and Notice of Potential Penalty No. WE-CN-00-0229 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Lake Park subdivision facility. Greater Ouachita Water Company did not file a request for hearing to contest the allegations of same, but did timely submit written comments concerning the alleged violations, the corrective or remedial actions taken to mitigate any damages resulting from the alleged violations, and to demonstrate why the assessment of a penalty would be inappropriate in that case.

On or about October 31, 2000, LaDEQ issued Consolidated Compliance Order and Notice of Potential Penalty No. WE-CN-00-0254 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Frenchman's Bend facility. Greater Ouachita Water Company timely filed a request for hearing, which was granted and has been docketed as number 2002-6921-EQ at the Division of Administrative Law.

On or about November 2, 2000, LaDEQ issued Compliance Order No. WE-C-00-0233 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto,

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY: (Continued)

and/or specified provisions of the permit at the Northeast Regional facility. Greater Ouachita Water Company timely filed a request for hearing; the time limit for LaDEQ to grant the hearing has been extended pursuant to an Agreement to Enter into a Dispute Resolution Discussion. On June 29, 2004, LaDEQ issued Amended Compliance Order WE-C-00-0236A, deleting many of Greater Ouachita Water Company's objections to the original order. Greater Ouachita Water Company has timely filed a hearing request to address remaining issues.

On or about April 4, 2002, LaDEQ issued Compliance Order No. WE-C-01-0109 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Pecan Bayou/Treasure Island facility. Greater Ouachita Water Company timely filed a request for hearing; the time limit for LaDEQ to grant the hearing has been extended pursuant to an Agreement to Enter into a Dispute Resolution Discussion.

On or about September 20, 2002, LaDEQ issued Warning Letter, Enforcement Tracking No. WE-L-02-0945 to the Ouachita Parish Police Jury in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Northwood Estates Sewer Treatment Plant, a facility owned by Greater Ouachita Water Company, but operated by the Ouachita Parish Police Jury. Greater Ouachita Water Company took over operations of the facility in January 2004.

On or about September 20, 2002, LaDEQ issued Warning Letter, Enforcement Tracking No. WE-L-02-0987 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Thatcher Pointe Subdivision facility. On December 5, 2002, Greater Ouachita Water Company filed a response thereto, noting that the Thatcher Pointe Subdivision facility is a new plant and Greater Ouachita Water Company had been and continued to work with Delta Process Equipment, the sewer treatment plant manufacturing representative, to define the appropriate operating parameters.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY: (Continued)

On or about January 21, 2004, LaDEQ issued Warning Letter, Enforcement Tracking No. WE-L-04-0046 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Pecan Bayou/Treasure Island facility.

On or about June 15, 2004, LaDEQ issued Compliance Order No. WE-C-04-0338 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Northwood Oxidation facility. Greater Ouachita Water Company timely filed a request for hearing.

In response to the above compliance orders and/or notices of proposed penalty, Greater Ouachita Water Company constructed at a substantial cost two regional sewerage treatment facilities, commonly referred to as the Northeast Regional Facility and the Southeast Regional Facility, to treat sewage from the following facilities: Audubon Park, Bayou Oaks, Belle Meade/Timberwood, Eastwood Estates, Garden Park, Huntington Park, Lakeview Park, Lincoln Park, Shenandoah Estates, Southeast Sewer District, and other smaller local sewer systems. In addition, Greater Ouachita Water Company closed the Royal Pines facility and routed the sewage generated there to the West Ouachita Parish Sewer District No. 5.

Greater Ouachita Water Company has also constructed a third regional facility, known as the Highway 165 Regional facility, to treat sewerage from the following facilities: Pecan Bayou, Treasure Island, Leisure Village, Frenchmen's Bend, Lake Park Subdivision, and Thatcher Plantation Subdivision. These facilities have now been connected to the Highway 165 Regional facility. In addition, this regional facility will provide capacity for expected population growth and increased sewer treatment needs in Ouachita Parish, Louisiana.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY: (Continued)

The Company has requested hearings on the orders, as indicated above, and believes that it has made good faith efforts to meet its obligations with LaDEQ within the confines of its available rate structure and has been actively contesting the orders. However, in recognition of the cost and risk of litigation, but without making any admission of liability under state or federal law or regulation, Greater Ouachita Water Company offered to pay a penalty in the amount of \$25,000 in settlement of all enforcement matters identified above. LaDEQ has tentatively accepted the offer. A settlement agreement has been approved as to form and executed by Greater Ouachita Water Company. The settlement agreement has been made available for public comment and is being reviewed for approval by the Louisiana Attorney General, following which it may be finally executed by LaDEQ. The settlement agreement is now final and was signed by LaDEQ on January 20, 2011.

NOTE F - REGULATORY COMPLIANCE - LDHH:

Greater Ouachita Water Company has received Administrative Orders from the Louisiana Department of Health and Hospitals (LDHH) and/or the United States Environmental Protection Agency (EPA) regarding the following water systems owned and/or operated by the Company: Prairie Ridge, Huntington Park, South Monroe, Sterlington, Brownville, West Highway 80 Ark Road, Kiroli-D'Arbonne. These are all groundwater systems that were not in compliance with the contaminate limitations set by EPA relative to total trihalomethanes (TTHMS) and/or haloacetic acids five (HAA5). The Company was given time to bring these systems into compliance with the regulations. The Company has employed the engineering firms of S.E. Huey Co. and Lazenby & Associates, Inc. to perform studies to determine the best method of treatment and/or alternative water sources to bring these systems into compliance. The Company has begun work to achieve compliance, and the Company expects to have the systems compliant by the applicable deadlines set by LDHH and/or EPA.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2010

NOTE G - PENSION PLAN:

A money purchase pension plan was put into effect on September 1, 1995. All employees of the Company are eligible. The Company will contribute on the behalf of each participant 25% of the participant's compensation. The amount contributed during the year ended August 31, 2010 was \$1,627. The Plan was terminated on September 30, 2010.

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 very conservative and require maximum income from their investments. Minimum growth will occur since the portfolio contains no equity. 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 two categories: Cash Equivalents And Mutual Funds - Fixed Income.

At August 31, 2010, the breakdown of the fair value of plan assets held is as follows:

	<u>Amount</u>	<u>Percentage</u>
Cash Equivalents	42,657	46.7%
Mutual Funds - Fixed Income	48,708	53.3%
Total Plan Assets	<u>91,365</u>	<u>100.0%</u>

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

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2010

NOTE G - PENSION PLAN: (Continued)

For the year ended August 31, 2010, the net return on the Plan assets was \$7,238. Greater Ouachita Water Company expects the long-term rate of return on the assets to be 4.51%. 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 4.51% 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, 2010.

1.	Changes in Benefit Obligation	
	a. Benefit Obligation at August 31, 2009	-
	b. Employer Service Cost	30,212
	c. Employee Contributions for the Year	-
	d. Interest Cost	-
	e. Amendments	-
	f. Actuarial (gain/loss (includes loss=16,329 Assumption change)	16,329
	g. Changes in Actuarial Cost Methods and/or Systems	-
	h. Benefits Paid	-
	i. Benefit Obligation at August 31, 2010 (Sum a through h)	46,541
2.	Change in Plan Assets	
	a. Assets at August 31, 2009	-
	b. Actual Return on Plan Assets	2,506
	c. Expenses	( 1,141)
	d. Employer Contributions for Fiscal Year 2010	90,000
	e. Employee Contributions	-
	f. Benefits Paid	-
	g. Assets at August 31, 2010 (Sum a through f)	91,365



GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2010

NOTE G - PENSION PLAN: (Continued)

3.	Funded (Unfunded) Status at August 31, 2010	
a.	(Accrued) Prepaid Pension Cost	60,639
b.	Balance in Accumulated Other Comprehensive Income Account	
1.	Unrecognized Net Actuarial Gain(Loss)	(15,815)
2.	Unrecognized Prior Service (Cost)Income	-
3.	Unrecognized Transition (Obligation)Asset	-
4.	Total Unrecognized (Expense)Asset	(15,815)
c.	Funded Status (Unfunded PBO)at August 31, 2010 (a.+b.4.)	44,824
4.	Weighted-Average Assumptions at Year-End	
a.	Interest Rate Used to Calculate Net Periodic Pension Cost	4.51%
b.	Interest Rate Used to Calculate Year-End Disclosure Information(Discount Rate)	4.51%
c.	Expected Return on Plan Assets	4.51%
d.	Salary Scale to Calculate NPPC for FY that Began September 1, 2009	0.00%
e.	Salary Scale for Disclosure Information as of August 31, 2010	0.00%
5.	Components of Net Periodic Benefit Cost	
a.	Service Cost	30,212
b.	Interest Cost	-
c.	Expected Return on Plan Assets	( 851)
d.	Amortization of Transition (Asset)/Obligation	-
e.	Amortization of Prior Service Cost	-
f.	Recognized Net Actuarial Loss	-
g.	Net Periodic Benefit Cost	29,361
6.	Projection of Benefits for Next Ten Fiscal Years	
	<u>Fiscal Years</u>	<u>Projected Benefits</u>
	2011	-
	2012	-
	2013	-
	2014	-
	2015	164,203
	Sum of Fiscal Years	
	2016 through 2020	-
7.	Contributions for the Fiscal Year beginning September 1, 2010 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, 2010 would be \$50,000.	

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE G - PENSION PLAN: (Continued)

The accumulated benefit obligation at August 31, 2010 was \$41,443.

NOTE H - LAWSUITS:

The Company, from time to time, is involved in various other lawsuits incurred by operating in the normal course of business. The outcomes of these lawsuits are not expected to be material.

NOTE I - 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, 2010, the Company's uninsured cash balance was \$8,000.

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

NOTE J - RELATED PARTY TRANSACTIONS:

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

R. E. Bentz, Inc., partially owned by Robert E. Bentz, director, earned \$22,966 for maintenance on the water and sewer system. At August 31, 2010, \$1,078 was accrued and payable for maintenance services.

Dean Morris, LLP, (of which Wood T. Sparks is Of Counsel), earned \$142,584 for legal services performed for the Company.

W. D. Carter, director, earned \$24,690 for various consulting services performed for the Company.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2010

NOTE K - 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.

ADDITIONAL INFORMATION

GREATER OJACHITA WATER COMPANY  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2010

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
<u>OPERATING REVENUE</u>			
Charges for Services	6,772,992	1,394,714	8,167,706
Forfeited Discounts	122,233	30,558	152,791
Reconnect Charges	167,400	-	167,400
Sewer Inspection Fees	-	290	290
Water Service Charges	183,251	-	183,251
Tapping Fees	106,531	16,830	123,361
<u>TOTAL OPERATING REVENUE</u>	<u>7,352,407</u>	<u>1,442,392</u>	<u>8,794,799</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating Contract	1,998,390	343,265	2,341,655
Power	434,376	243,719	678,095
Maintenance	495,721	266,460	762,181
Chemicals	235,128	24,196	259,324
Testing - Sewer	-	44,825	44,825
Engineering Services	25,138	5,993	31,131
Water Purchased	1,324,481	-	1,324,481
Water Used in Sewer Plant	-	2,669	2,669
Service and Franchise Fees	-	22,930	22,930
Right of Way	3,102	2,000	5,102
Water and Sewer Taps	81,593	2,328	83,921
<u>TOTAL DIRECT OPERATING EXPENSES</u>	<u>4,597,929</u>	<u>958,385</u>	<u>5,556,314</u>
<u>NET OPERATING INCOME</u>	<u>2,754,478</u>	<u>484,007</u>	<u>3,238,485</u>
<u>ADMINISTRATIVE EXPENSES</u>	<u>404,962</u>	<u>214,937</u>	<u>619,899</u>
<u>NET OPERATING PROFIT</u>	<u>2,349,516</u>	<u>269,070</u>	<u>2,618,586</u>
<u>OTHER INCOME</u>	<u>87,851</u>	<u>80,551</u>	<u>168,402</u>
	<u>2,437,367</u>	<u>349,621</u>	<u>2,786,988</u>
<u>OTHER EXPENSES</u>	<u>522,318</u>	<u>477,490</u>	<u>999,808</u>
<u>NET INCOME BEFORE AMORTIZATION AND DEPRECIATION</u>	<u>1,915,049</u>	<u>( 127,869)</u>	<u>1,787,180</u>
<u>AMORTIZATION AND DEPRECIATION</u>			
Amortization of Bond Issue Exp. - 1994A	-	-	-
Amortization of Bond Issue Exp. - 97A&B	8,194	2,049	10,243
Amortization of Bond Issue Exp. - 2003	2,782	696	3,478
Amortization of Bond Series - 2009	3,424	856	4,280
Depreciation Expense	1,063,744	564,749	1,628,493
<u>TOTAL AMORTIZATION AND DEPRECIATION</u>	<u>1,078,144</u>	<u>568,350</u>	<u>1,646,494</u>

See Auditors' Report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

GREATER OUACHITA WATER COMPANY  
STATEMENT OF REVENUE AND EXPENSES (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2010

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
<u>EXCESS OF REVENUES OVER EXPENSES</u>	836,905	(696,219)	140,686
Pension and Post Retirement Changes Other than Net Periodic Benefit Cost	<u>12,652</u>	<u>3,163</u>	<u>15,815</u>
<u>NET INCOME FOR THE YEAR</u>	<u>824,253</u>	<u>(699,382)</u>	<u>124,871</u>

See Auditors' Report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES - BY PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2010

	ADMINI- STRATIVE EXPENSES	WATER SYSTEM	SEWER SYSTEM	TOTAL
Operating Contract	-	1,998,390	343,265	2,341,655
Power	-	434,376	243,719	678,095
Maintenance	-	495,721	266,460	762,181
Chemicals	-	235,128	24,196	259,324
Testing	-	-	44,825	44,825
Water Used in Sewer Plants	-	-	2,669	2,669
Service & Franchise Fees	-	-	22,930	22,930
Right of Way	-	3,102	2,000	5,102
Accounting	16,627	-	-	16,627
Advertising	27	-	-	27
Bank Charges	43,496	-	-	43,496
Dues & Subscriptions	944	-	-	944
Engineering Fees	-	25,138	5,993	31,131
Inspection & Supervision Fees	13,510	-	-	13,510
Insurance	66,100	-	-	66,100
Interest	-	433,937	433,937	867,874
Legal & Administrative	289,966	-	-	289,966
Miscellaneous	13,490	-	-	13,490
Office Expenses	20,929	-	-	20,929
Postage	6,356	-	-	6,356
Rent	1,080	-	-	1,080
Salaries	90,309	-	-	90,309
Taxes & Licenses	6,985	2,102	21,983	31,070
Telephone	5,263	-	-	5,263
Travel	2,155	-	-	2,155
Trustee Fees	5,200	-	-	5,200
Provision for Bad Debts	-	62,053	15,513	77,566
Interest Paid on Customer Accounts	-	24,226	6,057	30,283
Pension Expense	37,462	-	-	37,462
Amortization	-	14,401	3,600	18,001
Depreciation	-	1,063,744	564,749	1,628,493
<u>TOTAL</u>	<u>619,899</u>	<u>4,792,318</u>	<u>2,001,896</u>	<u>7,414,113</u>

See Auditors' Report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

GREATER OUACHITA WATER COMPANY  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2010

	WATER SYSTEM	SEWER SYSTEM	TOTAL
Accounting	13,302	3,325	16,627
Advertising	22	5	27
Bank Charges	34,797	8,699	43,496
Dues & Subscriptions	755	189	944
Inspection & Supervision Fees	10,808	2,702	13,510
Insurance	52,880	13,220	66,100
Legal & Administrative	148,212	141,754	289,966
Miscellaneous	10,792	2,698	13,490
Office Expenses	16,743	4,186	20,929
Postage	5,085	1,271	6,356
Rent	864	216	1,080
Salaries	66,829	23,480	90,309
Taxes & Licenses	5,169	1,816	6,985
Telephone	4,210	1,053	5,263
Travel	1,724	431	2,155
Trustee Fees	2,800	2,400	5,200
Pension Expense	29,970	7,492	37,462
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>404,962</u>	<u>214,937</u>	<u>619,899</u>

See Auditors' Report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



GREATER OUACHITA WATER COMPANY  
CURRENT YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
AUGUST 31, 2010

INTERNAL CONTROLS

None

COMPLIANCE

None

See Auditors' Report.

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GREATER OUACHITA WATER COMPANY  
PRIOR YEAR FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS  
AUGUST 31, 2010

INTERNAL CONTROLS

There were no findings or recommendations in the prior year.

COMPLIANCE

There were no findings or recommendations in the prior year.

See Auditors' Report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS