

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

AUGUST 31, 2011

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 FEB 29 2012

GREATER OUACHITA WATER COMPANY
AUGUST 31, 2011

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"The CPA Never Underestimate The Value"

Certified Public Accountants

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- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

December 12, 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, 2011, 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, 2011, 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, 2011, 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 December 12, 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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CERTIFIED PUBLIC ACCOUNTANTS

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December 12, 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, 2011, and have issued our report thereon dated December 12, 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, 2011

ASSETS

PLANT AND EQUIPMENT

Cost of Systems	51,680,913
Accumulated Depreciation	<u>(18,329,079)</u>

<u>NET PLANT AND EQUIPMENT</u>	33,351,834
--------------------------------	------------

INVESTMENTS - CURRENT

Bond Interest Fund	435,372
Reserve Fund	260,987
Renewals, Replacements and Extensions Fund	46,699
Bond Fund Principal	565,261
Construction Fund	<u>141,282</u>

<u>TOTAL INVESTMENTS - CURRENT</u>	1,449,601
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CURRENT ASSETS

General Fund Cash	279,037
Accounts Receivable - Customers (Net)	1,796,227
Prepaid Expense	<u>58,614</u>

<u>TOTAL CURRENT ASSETS</u>	2,133,878
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OTHER ASSETS

Unamortized Bond Issue Expense (Note B)	145,883
Over-Funded Pension Benefits	<u>63,366</u>

<u>TOTAL OTHER ASSETS</u>	<u>209,249</u>
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<u>TOTAL ASSETS</u>	<u>37,144,562</u>
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The accompanying notes are an integral part of these financial statements

GREATER OUACHITA WATER COMPANY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AUGUST 31, 2011

LIABILITIES

LONG-TERM DEBT (NOTE D)

Bonds Payable - Series 1994A	455,000
Bonds Payable - Series 97A&B	2,140,000
Bonds Payable - Series 2003	8,220,000
Bonds Payable - Series 2009	11,000,000
Less: Current Maturities of Long-Term Debt	(565,000)

TOTAL LONG-TERM DEBT 21,250,000

FUNDED LIABILITIES

Interest Payable	<u>435,364</u>
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TOTAL FUNDED LIABILITIES 435,364

CURRENT LIABILITIES

Accounts Payable - Trade	1,123,745
Accounts Payable - West Ouachita Sewer	407,786
Accounts Payable - Other Sewer	51,761
Current Maturities of Long-Term Debt	565,000
Payroll Taxes Payable	1,095
Sales Taxes Payable	-
Accrued Insurance	47,890
Line of Credit - Chase	<u>3,413,550</u>

TOTAL CURRENT LIABILITIES 5,610,827

DEFERRED LIABILITIES

Customer Meter Deposits	<u>588,016</u>
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TOTAL DEFERRED LIABILITIES 588,016

TOTAL LIABILITIES 27,884,207

NET ASSETS

UNRESTRICTED NET ASSETS (SURPLUS) 9,260,355

TOTAL LIABILITIES AND NET ASSETS 37,144,562

The accompanying notes are an integral part of these financial statements

GREATER OUACHITA WATER COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

<u>OPERATING REVENUE</u>		
Charges for Services	8,725,616	
Forfeited Discounts	168,640	
Reconnect Charges	176,130	
Sewer Inspection Fees	350	
Water Service Charges	180,067	
Tapping Fees	<u>137,640</u>	
<u>TOTAL OPERATING REVENUE</u>		9,388,443
<u>COST OF SALES</u>		
Water Purchased	1,512,127	
Water and Sewer Taps	<u>101,131</u>	
<u>TOTAL COST OF SALES</u>		<u>1,613,258</u>
<u>GROSS PROFIT</u>		7,775,185
<u>FUNCTIONAL EXPENSES</u>		
Operating Expenses	7,372,638	
Administrative Expenses	<u>595,177</u>	
<u>TOTAL FUNCTIONAL EXPENSES</u>		<u>7,967,815</u>
<u>NET OPERATING PROFIT (LOSS)</u>		(192,630)
<u>OTHER REVENUES</u>		
Interest	881	
Sewer Maintenance Agreement	102,002	
Safe Drinking Water Fees Program	27,952	
Miscellaneous	<u>77,851</u>	
<u>TOTAL OTHER REVENUES</u>		<u>208,686</u>
Excess Of Revenues Over Expenses		16,056
Pension and Retirement Changes Other Than Net Periodic Benefit Cost		(47,203)
<u>NET INCREASE (DECREASE) IN NET ASSETS</u>		(31,147)
<u>NET ASSETS AT BEGINNING OF YEAR</u>		<u>9,291,502</u>
<u>NET ASSETS AT END OF YEAR</u>		<u>9,260,355</u>

The accompanying notes are an integral part of these financial statements

- 7 -

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011

	<u>ADMINISTRATIVE</u> <u>EXPENSES</u>	<u>OPERATING</u> <u>EXPENSES</u>	<u>TOTAL</u>
Operating Contract	-	2,496,946	2,496,946
Power	-	726,731	726,731
Maintenance	-	916,409	916,409
Chemicals	-	275,738	275,738
Testing	-	55,664	55,664
Water Used in Sewer Plant	-	1,322	1,322
Service and Franchise Fees	-	29,209	29,209
Right of Way	-	10,908	10,908
Accounting	18,646	-	18,646
Consulting Fees	17,200	-	17,200
Bank Charges	49,219	-	49,219
Dues and Subscriptions	770	-	770
Engineering Fees	-	16,384	16,384
Inspection and Supervision Fee	13,789	-	13,789
Insurance	52,197	-	52,197
Interest	-	886,274	886,274
Legal and Administrative	209,677	-	209,677
Miscellaneous	18,325	-	18,325
Office Expenses	18,730	-	18,730
Postage	6,675	-	6,675
Rent	1,485	-	1,485
Salaries	114,584	-	114,584
Taxes and Licenses	8,832	35,209	44,041
Telephone	5,773	-	5,773
Travel	1,578	-	1,578
Trustee Fees	9,800	-	9,800
Provisions for Bad Debts	-	117,657	117,657
Interest Paid on Customer Accounts	-	27,309	27,309
Pension Expense	47,897	-	47,897
Amortization	-	9,184	9,184
Depreciation	-	1,767,694	1,767,694
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>595,177</u>	 <u>7,372,638</u>	 <u>7,967,815</u>

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF CASH FLOWS
AUGUST 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets		(31,147)
Noncash Items Included in Net Income		
Amortization of Bond Issue Expense		9,184
Depreciation		1,767,694
Changes in		
Accounts Receivable	(54,923)	
Prepaid Expenses	(12,580)	
Over-Funded Pension Benefits	(18,542)	
Interest Payable	(39,987)	
Accounts Payable - Trade	97,731	
Accounts Payable - Sewers	32,908	
Payroll Taxes	(98)	
Sales Taxes	-	
Accrued Insurance	<u>11,056</u>	
Total Adjustments		<u>15,565</u>

NET CASH PROVIDED BY (USED BY)
OPERATING ACTIVITIES

1,761,296

CASH FLOWS FROM INVESTING ACTIVITIES

Plant and Equipment		(4,778,453)
Investments in Special Funds		<u>147,697</u>

NET CASH PROVIDED BY (USED BY)
INVESTING ACTIVITIES

(4,630,756)

CASH FLOWS FROM FINANCING ACTIVITIES

Customer Meter Deposits		11,947
Redemption of Bonds Payable	(535,000)	
Payments on Line of Credit	-	
Proceeds from Line of Credit	<u>3,413,550</u>	

NET CASH PROVIDED BY (USED BY)
FINANCING ACTIVITIES

2,890,497

NET INCREASE (DECREASE) IN CASH

21,037

CASH AT BEGINNING OF YEAR

258,000

CASH AT END OF YEAR

279,037

Interest Paid During the Year was \$926,261
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, 2011

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, 2011

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	30,510
Robert E. Bentz, Vice-President	22,192
Wood T. Sparks, President and Assistant Secretary	<u>55,481</u>
<u>Total</u>	<u>108,183</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, 2011

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, 2011, the balance in the Interest Fund was \$435,372. Interest payable at August 31, 2011 was \$435,364.
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 \$141,282
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, 2012 will be \$565,000.

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, 2010		441,252
Less: Prior Year Amortization	286,185	
Less. Current Year Amortization	<u>9,184</u>	
Total Amortization		(295,369)
 Balance at August 31, 2011		 <u>145,883</u>

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

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 \$8,843. 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 \$677,449, 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, 2011 were immaterial.

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2011

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, 2011, totaled \$4,778,453. Shown below is an analysis of the cost of the system by expenditures from various funds:

	<u>Balance 08/31/10</u>	<u>During Year</u>	<u>Balance 08/31/11</u>
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bond Proceeds Series 1965	907,211	-	907,211
General Fund	29,054,043	4,701,321	33,755,364
Renewals, Replacements and Extensions Fund	3,272,892	-	3,272,892
Improvements Fund	8,048,615	77,132	8,125,747
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	<u>44,658</u>	<u>-</u>	<u>44,658</u>
	47,133,726	4,778,453	51,912,179
Less Retirements Gas System Transferred	(231,266)	<u>-</u>	(231,266)
<u>Total</u>	<u>46,902,460</u>	<u>4,778,453</u>	<u>51,680,913</u>

The details of plant and equipment are as follows

Water Mains and Extensions	19,390,147
Water Service Lines	2,051,015
Water Meters	941,934
Water Wells	11,212,063
Water Chlorine Equipment	183,060
Meter Stations	170,637
Sewer	16,094,108
Other Equipment	216,937
Land	<u>1,421,012</u>
<u>Total</u>	<u>51,680,913</u>

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

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%.

The Company has a line of credit with Chase Bank. The line of credit is unsecured with interest at one month LIBOR rate plus 1.25%. This line of credit was obtained to fund system improvements until new bonds are issued. The balance of the line of credit at August 31, 2011 was \$3,413,550.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

NOTE D - LONG-TERM DEBT: (Continued)

During the year ended August 31, 2011, \$535,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$6,990,000. The balance of bonds outstanding at August 31, 2011 was \$21,815,000.

Principal payments for the next five years are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2012	565,000
2013	830,000
2014	870,000
2015	910,000
2016	955,000

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, 2011, 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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

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

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 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, 2011

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, 2011

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, 2011

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 accepted the offer, and the settlement agreement is now final and was signed by LaDEQ on January 20, 2011.

NOTE F - REGULATORY COMPLIANCE - LDHE.

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.

NOTE G - 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.

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2011

NOTE G - PENSION PLAN: (Continued)

Contributions to the benefit plan are invested in a managed asset portfolio consisting of cash and bonds. The investments are conservative and require maximum income from their investments. Moderate growth will occur since the portfolio has an income with growth objective. Short-term volatility will come from changes in bond prices due to interest rate fluctuations in the marketplace.

The Plan's investment policy is periodically reviewed and revised to reflect the best interest of the Plan's participants and beneficiaries. At present, investments of the Plan's assets are divided into four categories: Cash Equivalents, Mutual Funds - Fixed Income, Mutual Funds - Equity, and Mutual Funds - International Stock Fund.

At August 31, 2011, the breakdown of the fair value of plan assets held is as follows:

	<u>Amount</u>	<u>Percentage</u>
Cash Equivalents	11,494	5.8%
Mutual Funds - Fixed Income	100,262	51.0%
Mutual Funds - Equity	72,938	37.1%
Mutual Funds - International Stock Fund	<u>12,020</u>	<u>6.1%</u>
Total Plan Assets	<u>196,714</u>	<u>100.0%</u>

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

For the year ended August 31, 2011, the net return on the Plan assets was \$(4,652). 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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

NOTE G - PENSION PLAN. (Continued)

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, 2011.

1.	Changes in Benefit Obligation	
	a. Benefit Obligation at August 31, 2010	46,541
	b. Employer Service Cost	48,641
	c. Employee Contributions for the Year	-
	d. Interest Cost	2,099
	e. Amendments	-
	f. Actuarial (gain/loss (includes loss=36,066 Assumption change)	36,066
	g. Changes in Actuarial Cost Methods and/or Systems	-
	h. Benefits Paid	-
	i. Benefit Obligation at August 31, 2011 (Sum a through h)	133,347
2.	Change in Plan Assets	
	a. Assets at August 31, 2010	91,365
	b. Actual Return on Plan Assets	(3,100)
	c. Expenses	(1,552)
	d. Employer Contributions for Fiscal Year 2011	110,000
	e. Employee Contributions	-
	f. Benefits Paid	-
	g. Assets at August 31, 2011 (Sum a through f)	196,713
3.	Funded (Unfunded) Status at August 31, 2011	
	a. (Accrued) Prepaid Pension Cost	126,384
	b. Balance in Accumulated Other Comprehensive Income Account	
	1. Unrecognized Net Actuarial Gain (Loss)	(63,018)
	2. Unrecognized Prior Service (Cost) Income	-
	3. Unrecognized Transition (Obligation) Asset	-
	4. Total Unrecognized (Expense) Asset	(63,018)
	c. Funded Status (Unfunded PBO) at August 31, 2011 (a.+b.4)	63,366

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2011

NOTE G - PENSION PLAN: (Continued)

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, 2010	0.00%
e.	Salary Scale for Disclosure Information as of August 31, 2011	0 00%
5	Components of Net Periodic Benefit Cost	
a	Service Cost	48,641
b.	Interest Cost	2,099
c.	Expected Return on Plan Assets	(7,153)
d	Amortization of Transition (Asset)/Obligation	-
e	Amortization of Prior Service Cost	-
f	Recognized Net Actuarial Loss	668
g	Net Periodic Benefit Cost	44,255
6.	Projection of Benefits for Next Ten Fiscal Years	
	<u>Fiscal Years</u>	<u>Projected Benefits</u>
	2012	-
	2013	-
	2014	-
	2015	374,609
	2016	-
	Sum of Fiscal Years 2017 through 2021	-

7 Contributions for the Fiscal Year beginning September 1, 2011 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, 2011 would be \$50,000.

The accumulated benefit obligation at August 31, 2011 was \$111,917

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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

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, 2011, the Company's uninsured cash balance was \$25,811.

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 \$24,810 for maintenance on the water and sewer system. At August 31, 2011, \$3,308 was accrued and payable for maintenance services.

Dean Morris, LLP, (of which Wood T. Sparks is Of Counsel), earned \$183,856 for legal services performed for the Company At August 31, 2011, \$9,914 was accrued and payable for legal services.

W. D. Carter, director, earned \$10,745 for various consulting services performed for the Company.

During the year, Greater Ouachita Water Company purchased land for \$12,000, the appraised value, which was 65% owned by Wood T. Sparks.

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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2011

NOTE L - 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 December 12, 2011, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

ADDITIONAL INFORMATION

SCHEDULE I

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
<u>OPERATING REVENUE</u>			
Charges for Services	7,341,256	1,384,360	8,725,616
Forfeited Discounts	134,912	33,728	168,640
Reconnect Charges	176,130	-	176,130
Sewer Inspection Fees	-	350	350
Water Service Charges	180,067	-	180,067
Tapping Fees	116,715	20,925	137,640
<u>TOTAL OPERATING REVENUE</u>	<u>7,949,080</u>	<u>1,439,363</u>	<u>9,388,443</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating Contract	2,131,875	365,071	2,496,946
Power	467,838	258,893	726,731
Maintenance	577,889	338,520	916,409
Chemicals	249,298	26,440	275,738
Testing - Sewer	-	55,664	55,664
Engineering Services	10,673	5,711	16,384
Water Purchased	1,512,127	-	1,512,127
Water Used in Sewer Plant	-	1,322	1,322
Service and Franchise Fees	-	29,209	29,209
Right of Way	8,908	2,000	10,908
Water and Sewer Taps	98,686	2,445	101,131
<u>TOTAL DIRECT OPERATING EXPENSES</u>	<u>5,057,294</u>	<u>1,085,275</u>	<u>6,142,569</u>
<u>NET OPERATING INCOME</u>	<u>2,891,786</u>	<u>354,088</u>	<u>3,245,874</u>
<u>ADMINISTRATIVE EXPENSES</u>	<u>437,695</u>	<u>157,482</u>	<u>595,177</u>
<u>NET OPERATING PROFIT</u>	<u>2,454,091</u>	<u>196,606</u>	<u>2,650,697</u>
<u>OTHER INCOME</u>	<u>85,347</u>	<u>123,339</u>	<u>208,686</u>
	2,539,438	319,945	2,859,383
<u>OTHER EXPENSES</u>	<u>559,721</u>	<u>506,728</u>	<u>1,066,449</u>
<u>NET INCOME BEFORE AMORTIZATION AND DEPRECIATION</u>	<u>1,979,717</u>	<u>(186,783)</u>	<u>1,792,934</u>
<u>AMORTIZATION AND DEPRECIATION</u>			
Amortization of Bond Issue Exp - 2003	2,782	696	3,478
Amortization of Bond Series - 2009	4,566	1,140	5,706
Depreciation Expense	1,165,689	602,005	1,767,694
<u>TOTAL AMORTIZATION AND DEPRECIATION</u>	<u>1,173,037</u>	<u>603,841</u>	<u>1,776,878</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, 2011

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
<u>EXCESS OF REVENUES OVER EXPENSES</u>	806,680	(790,624)	16,056
Pension and Post Retirement Changes Other than Net Periodic Benefit Cost	(37,762)	(9,441)	(47,203)
<u>NET INCOME FOR THE YEAR</u>	<u>768,918</u>	<u>(800,065)</u>	<u>(31,147)</u>

See Auditors' Report.

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GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES - BY PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2011

	ADMINI- STRATIVE EXPENSES	WATER SYSTEM	SEWER SYSTEM	TOTAL
Operating Contract	-	2,131,875	365,071	2,496,946
Power	-	467,838	258,893	726,731
Maintenance	-	577,889	338,520	916,409
Chemicals	-	249,298	26,440	275,738
Testing	-	-	55,664	55,664
Water Used in Sewer Plants	-	-	1,322	1,322
Service & Franchise Fees	-	-	29,209	29,209
Right of Way	-	8,908	2,000	10,908
Accounting	18,646	-	-	18,646
Consulting Fees	17,200	-	-	17,200
Bank Charges	49,219	-	-	49,219
Dues & Subscriptions	770	-	-	770
Engineering Fees	-	10,673	5,711	16,384
Inspection & Supervision Fees	13,789	-	-	13,789
Insurance	52,197	-	-	52,197
Interest	-	443,137	443,137	886,274
Legal & Administrative	209,677	-	-	209,677
Miscellaneous	18,325	-	-	18,325
Office Expenses	18,730	-	-	18,730
Postage	6,675	-	-	6,675
Rent	1,485	-	-	1,485
Salaries	114,584	-	-	114,584
Taxes & Licenses	8,832	611	34,598	44,041
Telephone	5,773	-	-	5,773
Travel	1,578	-	-	1,578
Trustee Fees	9,800	-	-	9,800
Provision for Bad Debts	-	94,126	23,531	117,657
Interest Paid on Customer Accounts	-	21,847	5,462	27,309
Pension Expense	47,897	-	-	47,897
Amortization	-	7,348	1,836	9,184
Depreciation	-	1,165,689	602,005	1,767,694
<u>TOTAL</u>	<u>595,177</u>	<u>5,179,239</u>	<u>2,193,399</u>	<u>7,967,815</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, 2011

	<u>WATER</u> <u>SYSTEM</u>	<u>SEWER</u> <u>SYSTEM</u>	<u>TOTAL</u>
Accounting	14,917	3,729	18,646
Consulting Fees	13,760	3,440	17,200
Bank Charges	39,375	9,844	49,219
Dues & Subscriptions	616	154	770
Inspection & Supervision Fees	11,031	2,758	13,789
Insurance	41,758	10,439	52,197
Legal & Administrative	130,933	78,744	209,677
Miscellaneous	14,660	3,665	18,325
Office Expenses	14,984	3,746	18,730
Postage	5,340	1,335	6,675
Rent	1,188	297	1,485
Salaries	91,667	22,917	114,584
Taxes & Licenses	7,066	1,766	8,832
Telephone	4,618	1,155	5,773
Travel	1,262	316	1,578
Trustee Fees	6,220	3,580	9,800
Pension Expense	38,300	9,597	47,897
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>437,695</u>	<u>157,482</u>	<u>595,177</u>

See Auditors' Report.

GREATER OUACHITA WATER COMPANY
CURRENT YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2011

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, 2011

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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