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PAGE 1 OF 12

GREATER MONROE WATER COMPANY  
MONROE, LOUISIANA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED AUGUST 31, 1949 AND 1948  
AND  
INDEPENDENT AUDITORS' REPORT

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Printed Date 4-28-1950

**WEBB AND WEBB**  
CERTIFIED PUBLIC ACCOUNTANTS  
MONROE, LOUISIANA

GREATER CINCINNATI WATER COMPANY  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
 FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

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LEONARD WEBB, MEMBER CPA  
DAVID F. WEBB, CPA

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of Greater Ouachita Water Company, as of August 31, 1987, and 1988, and the related statements of income, surplus, and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These 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 audits provide 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, 1987 and 1988, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note F, Greater Ouachita Water Company was alleged by LARNG to have violated certain provisions of the Louisiana Water Control Law. The financial statements were adjusted on August 31, 1988, to reflect the action of the State of Louisiana for these instances of non-compliance.

*Webb and Webb*  
WEBB AND WEBB

Monroe, Louisiana  
November 16, 1987

GREATER QUACRITA WATER COMPANY  
BALANCE SHEET

ASSETS

	AUGUST 31	
	1997	1996
	-----	-----
<b>PLANT &amp; EQUIPMENT</b>		
Cost of Systems	57,493,812.55	13,628,474.88
Accumulated Depreciation	5,246,392.28	4,795,645.28
	-----	-----
<b>Net Plant &amp; Equipment</b>	<b>52,247,420.27</b>	<b>18,832,829.60</b>
<b>SPECIAL FUNDS</b>		
Revenues Fund	626.88	3,668.83
Interest Fund	71,625.98	91,481.82
Reserve Fund	138,810.67	132,319.34
Renewals, Replacements & Extensions Fund	12,141.88	21,738.38
Sinking Fund	882,827.81	322,745.66
Series 1994A Improvement Fund	83,246.28	178,789.72
Redemptions Payment Account	0.01	0.01
	-----	-----
<b>Total Special Funds</b>	<b>1,499,779.15</b>	<b>747,743.16</b>
<b>CURRENT ASSETS</b>		
General Fund Cash	48,269.14	126,481.51
Accounts Receivable - Customers	529,278.49	678,147.98
Accounts Receivable - Returned Checks	4,879.58	3,548.40
Accounts Receivable - Other	1,082.00	8.00
	-----	-----
	535,318.21	811,685.35
Allowance for Bad Accounts	(2,821.98)	(3,608.33)
	-----	-----
	532,336.07	808,182.02
Prepaid Expenses	18,428.64	6,253.64
	-----	-----
<b>Total Current Assets</b>	<b>600,478.97</b>	<b>624,827.37</b>
<b>DEFERRED CHARGES</b>		
Unamortized Bond Discount	3,824.92	5,737.83
Unamortized Bond Issue Expenses	50,292.75	48,271.71
	-----	-----
<b>Total Deferred Charges</b>	<b>54,117.67</b>	<b>54,009.54</b>
<b>OTHER ASSETS</b>		
Deposits	12,500.00	12,500.00
	-----	-----
<b>TOTAL ASSETS</b>	<b>13,683,898.18</b>	<b>13,287,697.18</b>
	-----	-----

GREATER QUACHITA WATER COMPANY  
BALANCE SHEET

LIABILITIES

	ASSET 11	
	1987	1986
	-----	-----
<b>LONG-TERM DEBT</b>		
Bonds Payable - Series 1964 & 1965	829,250.00	840,000.00
Bonds Payable - Series 1968A	1,770,000.00	1,685,000.00
	-----	-----
<b>Total Long-Term Debt</b>	<b>2,599,250.00</b>	<b>2,525,000.00</b>
<b>FUNDED LIABILITIES</b>		
Interest Payable	71,943.78	79,988.25
<b>CURRENT LIABILITIES</b>		
Accounts Payable - Trade	408,525.27	184,353.60
Accounts Payable - West Quachita Sewer	177,365.48	137,168.83
Accounts Payable - Other Sewer	64,688.34	70,832.48
Payroll Taxes Payable	373.88	313.77
Sales Taxes Payable	7,488.00	8,534.00
Notes Payable - Central bank	1,088,000.00	0.00
	-----	-----
<b>Total Current Liabilities</b>	<b>1,746,481.50</b>	<b>400,453.65</b>
<b>DEFERRED LIABILITIES</b>		
Customer Meter Deposits	317,428.00	323,728.00
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>6,554,183.73</b>	<b>3,526,083.20</b>
	-----	-----
<b>SURPLUS</b>		
<b>CONTRIBUTION IN AID OF CONSTRUCTION</b> (Non-Refundable)	3,842,913.80	1,836,958.88
<b>UNAPPROPRIATED SURPLUS</b>	6,987,318.85	6,922,663.09
	-----	-----
	9,829,725.45	8,759,613.66
	-----	-----
<b>TOTAL LIABILITIES &amp; SURPLUS</b>	<b>13,583,883.18</b>	<b>12,287,687.56</b>
	-----	-----

GREATER OKLAHOMA WATER COMPANY  
STATEMENTS OF INCOME

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	
	1997	1996
	-----	-----
<b>OPERATING REVENUE</b>		
Revenue	2,882,882.88	2,890,834.57
Forfeited Discounts	47,268.88	47,834.57
Reconnect Charges	42,888.00	52,437.00
Sewer Inspection Fees	888.00	888.00
	-----	-----
<b>Total Operating Revenue</b>	<b>2,981,927.76</b>	<b>3,031,794.14</b>
<b>DIRECT OPERATING EXPENSES</b>		
Operating Contract	814,810.25	785,528.88
Power	374,657.25	328,668.83
Maintenance	192,890.88	236,268.43
Chemicals - Sewer	77,351.64	52,838.86
Testing - Sewer	36,670.00	18,538.88
Engineering Services	30,100.46	7,185.58
Water Purchased	894,389.07	571,183.43
Water used in Sewer Plant	1,142.79	850.23
Service & Franchise Fees	8,915.63	4,812.88
Right of Way	5,500.00	3,275.88
	-----	-----
<b>Total Direct Operating Expenses</b>	<b>3,056,308.17</b>	<b>3,001,303.87</b>
	-----	-----
<b>NET OPERATING INCOME</b>	<b>925,619.59</b>	<b>1,030,490.27</b>
<b>ADMINISTRATIVE EXPENSES</b>	167,627.35	149,914.63
	-----	-----
<b>NET OPERATING PROFIT</b>	<b>757,992.24</b>	<b>880,575.64</b>
<b>OTHER INCOME</b>	22,240.27	53,766.87
	-----	-----
	<b>780,232.51</b>	<b>934,342.51</b>
<b>OTHER EXPENSES</b>	217,821.66	169,886.87
	-----	-----
<b>NET INCOME BEFORE AMORTIZATION &amp; DEP'N.</b>	<b>562,410.85</b>	<b>764,455.64</b>
<b>AMORTIZATION &amp; DEPRECIATION</b>		
Asset. of Bond Discount	1,912.68	1,912.68
Asset. of Bond Issue Exp.-1964 & 65	1,526.34	1,526.34
Asset. of Bond Issue Exp.- 1994A	3,357.60	3,357.60
Depreciation Expenses	480,747.60	428,329.00
	-----	-----
<b>Total Amortization &amp; Depreciation</b>	<b>487,543.64</b>	<b>423,125.64</b>
	-----	-----
<b>NET INCOME FOR THE YEAR</b>	<b>74,867.21</b>	<b>341,329.99</b>
	-----	-----

**CHESAPEAKE CONCRETE WATER COMPANY  
STATEMENTS OF INCOME**

WATER SYSTEM		SEWER SYSTEM	
YEAR ENDED AUGUST 31 1997	1996	YEAR ENDED AUGUST 31 1997	1996
2,892,488.22	2,504,793.91	390,987.64	340,040.88
87,248.84	87,834.57	0.00	0.00
40,888.00	52,417.68	0.00	0.00
0.00	0.00	888.00	640.00
2,606,319.86	2,428,845.48	391,875.64	340,680.88
649,419.80	644,823.75	248,388.78	188,884.28
308,808.84	271,584.45	88,488.71	88,888.27
193,899.82	212,388.74	38,887.88	23,888.87
0.00	0.00	73,881.84	82,888.88
0.00	0.00	24,879.00	18,888.00
18,439.27	7,188.90	4,881.39	0.00
824,389.87	571,188.43	0.00	0.00
8.88	0.00	1,142.79	888.13
1,818.83	0.00	9,188.00	4,812.00
8,888.88	3,278.00	0.00	0.00
4,488,112.82	4,796,142.88	571,884.34	388,880.48
818,318.83	818,888.88	29,388.38	81,848.38
130,829.79	187,888.88	58,387.88	48,818.88
784,389.24	818,888.84	136,438.88	81,724.23
18,888.88	18,388.88	4,388.88	18,888.88
888,444.33	888,888.88	132,438.88	87,127.88
78,773.10	77,871.84	141,888.88	122,488.88
128,473.21	988,888.88	178,888.88	188,888.12
1,818.88	1,818.88	188.88	188.88
8,318.88	1,811.88	88.88	88.88
0.88	0.00	3,887.88	3,887.88
358,148.88	337,888.88	122,488.88	87,738.88
381,461.88	340,888.88	122,122.88	87,278.88
368,211.83	428,878.12	128,488.88	118,812,128

GREATER OKMUCHITA WATER COMPANY  
STATEMENT OF SURPLUS

	AUGUST 31	
	1997	1996
	-----	-----
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>		
Balance - Beginning	1,836,350.59	1,696,387.49
Additions		
Water Tap Fees	77,958.00	79,797.95
Sewer Tap Fees	9,998.00	10,460.88
Other	118,368.21	49,748.18
Balance - Ending	2,942,518.80	1,836,350.59
	-----	-----
<b>UNASSOCIATED SURPLUS</b>		
Balance - Beginning	6,922,663.09	6,439,323.16
Additions		
Net Income For The Year	64,555.56	283,963.99
Balance - Ending	6,987,218.65	6,723,287.15
	-----	-----
<b>TOTAL SURPLUS - ENDING</b>	<b>9,929,737.45</b>	<b>8,559,637.74</b>
	-----	-----



**ORIONER DESALTING WATER COMPANY**  
**(STATEMENTS OF INCREASE (DECREASE) IN**  
**CASH AND CASH EQUIVALENTS)**

	YEAR ENDED AUGUST 31 1977	1976
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	64,558.84	283,741.93
Noncash Items Included In Net Income		
Amortization of Bond Discount	1,912.68	1,812.68
Amortization of Bond Issue Expense	4,953.26	4,833.86
Depreciation	480,747.00	428,328.00
Changes in:		
Accounts Receivable	(50,214.05)	18,508.44
Prepaid Expenses	(13,075.10)	17,548.71
Unamortized bond issue expense	18,375.00	(7,908.28)
Interest Payable	18,862.50	(8,348.75)
Accounts Payable - Trade	224,173.67	(48,358.10)
Accounts Payable - Others	34,882.54	30,208.68
Payroll Taxes	8.12	(28.55)
Sales Taxes	(3,838.88)	(119.00)
Total Adjustments	378,883.88	1,719.78
Net Cash Provided By (Used By) Operating Activities	443,442.72	999,769.49
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Plant & Equipment	(1,867,338.88)	(928,878.28)
Net Cash Provided By (Used By) Investing Activities	(1,867,338.88)	(928,878.28)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investments In Special Funds	97,862.81	287,888.88
Customer Meter Deposits	14,702.00	27,888.00
Contributions In Aid of Construction	206,169.21	218,943.18
Loss From Central Bank	1,088,088.88	8.88
Redemption of Bonds Payable	(825,750.00)	(288,888.88)
Net Cash Provided By (Used By) Financing Activities	1,081,072.12	236,740.06
<b>NET INCREASE (DECREASE) IN CASH</b>	(342,224.94)	307,631.27
<b>CASH AT BEGINNING OF YEAR</b>	128,481.91	84,832.45
<b>CASH AT END OF YEAR</b>	94,256.97	392,463.72

GREATER OUCHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1957

NOTE A - HISTORY AND ORGANIZATION

The Greater Ouchita Water Company was incorporated May 29, 1953, under the laws of the State of Louisiana, as a nonprofit organization. The company was organized to consolidate various water companies operating in Ouchita Parish, 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 15, 1943, between the Greater Ouchita Water Company and the Parish of Ouchita, 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 system 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 3, 1944, was made by and between the Greater Ouchita Water Company and the First National Bank of Commerce in New Orleans, a national banking association having its principal office in New Orleans, Louisiana, as trustee. Supplemental Indentures of Mortgage have been made covering additions to the system.

Revenue bonds were issued in three series. Proceeds of the first series (Series 1944) were received on September 28, 1944, and the first purchase of systems was made. Proceeds of the second series (Series 1945) were received on April 12, 1945, and additional properties were added to the system. Proceeds of the third series (Series 1948) were received on March 18, 1948. These proceeds are to be used in the building of a new sewer treatment plant.

The company began operations September 29, 1944. It has an agreement with M-M Utilities, Inc., West Monroe, Louisiana to operate the system. Percy W. Nichols, West Monroe, Louisiana, is the president of M-M Utilities, Inc.

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

continued on next page

GREATER GUACUILA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1987

W. D. Carter, Chairman of the Board	10,196.18
Robert K. Bards, President	6,497.84
Wood T Sparks, Secretary-Treasurer	2,529.88
	29,223.90
	*****

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 - 30 years
Various Equipment	5 - 20 years

By specific definition in the Indenture of Mortgage, Depreciation is not to be included in the operating expenses of the company. Depreciation expense was therefore shown separately on the statement of income.

**SPECIAL FUNDS** - The Indenture 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 Reserve Fund.

Monies received in the Reserve Fund are in turn transferred to other funds in the following order:

1. Interest Fund until at least six months' interest on all outstanding bonds is accumulated or restored. On August 31, 1987, the balance in the Interest Fund was \$71,823.66. Interest payable at August 31, 1987, was \$71,043.76.
2. Reserve Fund until an amount equal to 100% of the maximum annual interest requirements on all outstanding bonds is accumulated or restored.
3. Renewals, Replacements & Extensions Fund until \$150,000.00 is accumulated or restored. During the

GREATER QUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1997

period under review, additions and expenditures made to and from this fund for improvements to the system resulted in a balance of \$13,341.90.

4. Sinking Fund, an amount beginning September 15, 1994, 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 as shown below:

DUE DATE	AMOUNT DUE
August 15, 1999 - 1999	2,365,000.00
August 15, 1997	130,000.00
	-----
	2,495,000.00
	*****

The annual amount due on August 15, 1999, will be \$245,000.00.

5. Mandatory Retirement Fund, all remaining monies. On August 15 of each year, beginning August 15, 1969, all monies in the Sinking Fund will be transferred to this fund. At August 31, 1997, this transfer had not been made, and there was no balance in this fund.

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 discount:

	SERIES 1969	SERIES 1963	Series 1964B	TOTAL
Original Bond Discount	65,404.04	24,480.80	.00	89,884.84
Less Prior Year Amortization	61,808.48	18,163.82	.00	80,002.30
Less Current Year Amortization	1,297.00	495.89	.00	1,792.89
	-----	-----	-----	-----
Total Amortization	63,105.48	18,659.71	.00	81,765.19
	-----	-----	-----	-----
Balance at August 15, 1996	2,298.56	2,320.48	.00	4,619.04
	-----	-----	-----	-----

**GREATER CHICAGOITA WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 1997**

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

	SERIES 1984	SERIES 1985	SERIES 1986	TOTAL
TOTAL COST	35,340.34	26,737.35	41,954.67	104,032.36
Less Prior Year Amortization	15,311.66	14,473.38	4,377.63	34,162.67
Less Current Year Amortization	1,989.80	264.34	3,337.60	4,591.74
Total Amortization	17,301.46	14,737.72	8,715.23	40,754.41
Balance at August 31, 1997	1,938.88	1,999.63	32,239.44	36,178.95

In accordance with terms of the Indenture of Mortgage, Amortization has not been shown as operating expenses of the company.

CONTRIBUTIONS IN AID OF CONSTRUCTION - Connecting and tapping fees charged to new customers to pay part of the cost of extensions to such customers are credited to this account. These costs are capitalized, therefore, this method of accounting for such fees more nearly matches operating revenues with operating expenses.

**NOTE C - PLANT AND EQUIPMENT**

Plant and equipment is stated at the acquisition costs of the assets to 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, 1997, totaled \$1,867,328.95, and for the year ended August 31, 1996, totaled \$928,578.25. Shown below is an analysis of the cost of the system by expenditures from various funds:

	BALANCE 8/31/96	DURING YEAR	BALANCE 8/31/97
Bond Proceeds Series 1964	1,923,288.00		1,923,288.00
Bond Proceeds Series 1988	687,211.14		687,211.14
General Fund	6,211,857.87	1,762,717.91	7,974,575.78

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GREATER COACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1997

Renewals, Replacements & Extensions Fund	2,974,613.64	9,474.70	2,984,088.34
Revenue Fund	36,018.84		36,018.84
Series 1984A Fund	1,484,173.41	88,144.34	1,572,317.75
Contributions			
Lakeview Utilities, Inc. Water & Sewer System	196,000.00		196,000.00
North LA Production Corp. Water System	71,800.00		71,800.00
G & H Utilities, Inc. Water System	44,658.00		44,658.00
	16,857,748.20	1,867,338.96	17,725,087.16
Loss Retirements			
Gas System Transferred	231,266.20		231,266.20
	15,626,478.00	1,867,338.96	17,493,816.96

**NOTE D - LONG TERM DEBT**

The company issued bonds known as "Waterworks & Natural Gas System Revenue Bonds" in two series. Series 1984 bonds total \$2,378,000.00, are dated September 1, 1984, and mature September 1, 1999. Series 1985 bonds total \$1,081,000.00, are dated March 1, 1985, and mature September 1, 1999. Interest is paid semi-annually on March 1, and September 1. The interest rate is 5.6% through August 31, 1972; 5.625% from September 1, 1972, through August 31, 1979, and 6.0% from September 1, 1979, until maturity.

On March 16, 1994, the company issued bonds known as "Greater Coachita Water Company Waterworks and Natural Gas System Bonds, Series 1994A" in the amount of \$1,000,000.00. Interest is paid semi-annually on March 1, and September 1. The interest rate is 4.25% through February 28, 2000, 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, Monroe, Louisiana on such date. Principal shall be payable annually on September 1 in each year commencing September 1, 1995.

GREATER CACCHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1997

During the year ended August 31, 1997, \$300,000.00 in bonds were redeemed, and during the year ended August 31, 1996, \$300,000.00 in bonds were redeemed, bringing the total of all bonds redeemed to \$2,800,000.00. The balance of bonds outstanding at August 31, 1997, was \$2,199,250.00.

**NOTE K - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY**

On or about March 16, 1990, the Louisiana Department of Environmental Quality ("LaDEQ") issued Compliance Order No. WC-80-014 to the Greater Cacchita Water Company ("GOWC") alleging certain violations of the Louisiana Water Control Law, the Louisiana Water Regulations and previously issued compliance Order No. WC-80-149.

GOWC timely filed a request for hearing, which was granted, to challenge these allegations.

On or about April 5, 1990, LaDEQ issued a proposed penalty notice (WP-80-013) in the amount of \$6,800.00 to GOWC, and in response thereto, Respondent filed a timely request for hearing, which was granted.

These two proceedings were consolidated and a settlement has been reached in theory, although the actual settlement documents have not been executed. Pursuant to such, GOWC will pay the \$6,800.00 penalty in total settlement of the claims alleged by the compliance order and/or which could be alleged and GOWC will upgrade and/or close certain of its sewer facilities in accordance with a specified time schedule to meet LaDEQ's requirements. It is believed that the settlement will give the company sufficient time to upgrade and/or close certain sewer facilities to meet LaDEQ's discharge requirements. This \$6,000.00 has been accrued as an other expense to the sewer plant during the year ended August 31, 1990.

The company has finalized plans to comply with the sewer discharge limitations in the permits issued by LaDEQ and EPA. Three regional sewage treatment facilities are contemplated and most of the present facilities will be closed and the sewage treated at the new plants. Construction has commenced on the first treatment plant located in the northeastern portion of Caddo Parish, Louisiana adjacent to Hwy. 199. Construction on the second plant, located adjacent to Hwy. 166 south, will

GREATER CANYONITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1997

be started some time in mid 1998. A third plant along Hwy. 165 north, will be constructed after the first two plants have been completed and are in operation. Sewer customers not connected to the regional plants will be transferred to other sewer districts or serviced by other utility companies pursuant to contractual agreements with GCMC. The anticipated cost to fully comply with the permit requirements and the construction of these treatment plants is approximately \$3,300,000. The company's application for a sewer rate increase to obtain sufficient revenue to pay for these sewage improvements was granted in part and is still pending.

NOTE F - 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 3% of the participant's compensation. The amount contributed during the year ended August 31, 1997, was \$6,750.00.



**WELLS AND WELLS**  
*Certified Public Accountants*  
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**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTARY INFORMATION**

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

Our report on our audit of the basic financial statements of Greater Ouachita Water Company for the years ended August 31, 1987, and 1988, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on the following pages is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

In our opinion, the supplementary information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Wells and Wells*  
**WELLS AND WELLS**

Monroe, Louisiana  
November 30, 1989

GREATER CINCINNATI WATER COMPANY  
 PLANT AND EQUIPMENT AND DEPRECIATION  
 SCHEDULE 31, 1987

	COST AT 8/31/84	ADDITIONS	COST AT 8/31/87
<b>WATER SYSTEM</b>			
Original Cost 8/31/84	1,377,637.07	0.00	1,377,637.07
Original Cost 3/12/88	879,888.88	0.00	879,888.88
	-----	-----	-----
	1,952,713.93	0.00	1,952,713.93
<b>Additions &amp; Renovations</b>			
Mains & Extensions	1,708,333.06	162,384.97	4,107,628.03
Service Lines	1,188,828.61	148,874.08	1,344,800.69
Water Meters	788,909.22	9,210.04	798,119.26
Valves & Equipment	2,518,551.79	0.00	2,518,551.79
Chlorinator Equipment	131,304.13	0.00	131,304.13
Other Equipment	78,784.38	0.00	78,784.38
	-----	-----	-----
Total Additions	10,417,189.08	503,469.09	10,920,658.18
	-----	-----	-----
Total Water System	12,983,909.83	503,469.09	12,873,398.13
<b>SEWER SYSTEM</b>			
Original Cost 8/31/84	126,000.00	0.00	126,000.00
Original Cost 3/12/88	33,814.88	0.00	33,814.88
	-----	-----	-----
	159,814.88	0.00	159,814.88
<b>Additions &amp; Improvements</b>			
	2,518,332.42	1,363,849.84	1,092,682.28
	-----	-----	-----
Total Sewer System	2,677,146.98	1,363,849.84	4,041,996.84
<b>LAND</b>			
	578,818.88	0.00	578,818.88
	-----	-----	-----
<b>TOTAL PLANT &amp; EQUIPMENT</b>	16,628,474.80	1,867,318.93	17,495,812.83
	-----	-----	-----

GREATER DOWNSIDE WATER COMPANY  
PLANT AND EQUIPMENT AND DEPRECIATION  
AUGUST 31, 1997

PRIOR DEPRECIATION	CURRENT DEPRECIATION	ACCUMULATED DEPRECIATION 8/31/97	UNDEPRECIATED BALANCE 8/31/97
612,718.89	29,543.00	638,289.09	438,767.98
425,485.54	13,514.00	439,199.56	238,487.30
1,238,403.45	39,856.00	1,277,468.65	678,255.28
1,205,555.29	127,810.00	1,333,589.29	1,774,943.74
861,484.85	97,973.00	959,857.05	1,384,843.54
282,309.45	22,883.00	274,299.45	483,828.81
728,815.54	68,500.00	804,825.56	1,714,536.33
87,724.28	4,881.00	41,888.28	88,398.85
35,978.79	3,420.00	39,398.79	41,388.89
1,128,663.42	313,885.00	1,447,748.42	7,472,393.76
4,383,087.87	358,340.00	4,725,287.07	6,148,191.84
82,958.00	2,520.00	89,478.00	48,599.80
21,111.00	870.00	21,781.00	13,733.48
104,069.00	3,390.00	107,359.00	52,333.28
294,517.11	118,417.00	418,934.11	3,888,148.17
388,678.19	122,407.88	521,185.19	3,528,411.65
0.00	0.00	0.00	578,818.00
4,785,645.26	488,747.88	5,288,392.28	12,347,423.69

GREATER COACHITA WATER COMPANY  
 SCHEDULE OF INSURANCE  
 AUGUST 31, 1997

RISK	MAXIMUM COVERAGE	FROM	TO	TOTAL PREMIUM	AMOUNT PAID
items listed in policy in- clude wells, water tanks, reservoirs, sewer lift pump & treatment plants pressure pumps, tank, bldg. Products - Completed Oper.	3,000,000	7/31/97	7/31/98	19,978.75	14,647.19
Personal & Adv. Injury	1,000,000				
Fire Damage	100,000				
Medical	5,000				
Hired, Non-Owned Autos	BI and PD 1,000,000				
Employees	500,000				
Robert E. Beale	25,000	12/31/97	12/31/98	250.00	41.67
M. D. Carter	25,000				
Wood T. Sparks	25,000				
Same as above	500,000	1/1/97	1/1/98		
Personal & Adv. Injury	3,000,000	7/14/97	7/14/98	5,171.00	4,740.00
Products - Completed Oper.					
				-----	-----
				21,399.75	19,428.94
				-----	-----

COVERAGE PROVIDED BY E-S UTILITIES, INC., WEST MONROE, LOUISIANA  
 (CONTRACT OPERATOR OF THE SYSTEM)

Products - Completed Oper.	3,000,000	6/1/97	6/1/98		
Personal & Adv. Injury	1,000,000				
Fire Damage	50,000				
Medical	5,000				
Automobiles	BI 1,000,000	6/1/97	6/1/98		
Employees	100,000	EFFECTIVE DATE 1/1/98 CONTINUOUS UNTIL CANCELED			

GREATER ORLEANS WATER COMPANY  
 SCHEDULE OF INSURANCE  
 AUGUST 31, 1997

COMPANY	POLICY NO.	AGENT	TYPE
American Central Ins. Co.	NR 541817	Troy & Montgomery	Fire and extended coverage, vandalism, malicious mischief  General Liability " " Auto Liability  Commercial Umbrella & Liability
Western Surety Company	1338824	Troy & Montgomery	Fidelity Bond
LA Workers Compensation Co	4842	Troy & Montgomery	Workmen's Comp.
Georgie Insurance Co.	NRW 441744	Troy & Montgomery	Directors & Officers Liability

COVERAGE PROVIDED BY M-N UTILITIES, INC., WEST MONROE, LOUISIANA  
 (CONTRACT OPERATOR OF THE SYSTEM)

The American Central Insurance Co.	NR 526386	Troy & Montgomery	General Liability
The American Central Insurance Co.	NRMC 54234	Troy & Montgomery	Auto liability, collision, comprehensive coverage, medical payments uninsured motorist
Louisiana Employers Safety Assoc. Self Insurance Fund	777-1287	Summit Consulting Inc.	Workmen's Comp.

GREATER CHICAGO WATER COMPANY  
ANALYSIS OF REVENUE FUND BALANCE  
AUGUST 31, 1987

CASE IN FIRST NATIONAL BANK OF COMMERCE	0.88
<b>INVESTMENTS</b>	
Marquette Treasury Secs Money Market	\$26.85
	-----
<b>Total of Fund</b>	<b>\$26.85</b>
	*****

**REVENUE FUND**  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1987 AND 1986

	YEAR ENDED AUGUST 31 1987	1986
	-----	-----
<b>FUND BALANCE - BEGINNING</b>	1,488.93	4,794.87
<b>DEPOSITS IN FUND</b>		
Transfers from Operating Fund	455,800.80	398,008.00
Transfers from Interest Fund	4,461.43	2,128.29
Transfers from Reserve Fund	40.80	3,962.47
Transfers from Renewals, Replacements & Miscellaneous Fund	884.88	1,948.88
Transfers from Sinking Fund	3,478.11	688.18
Transfers from Series 1994A	4,580.72	15,089.03
Earnings from Investments	115.85	0.00
	-----	-----
<b>Total Deposits</b>	<b>468,360.69</b>	<b>414,787.84</b>
	-----	-----
	470,627.83	418,582.91
<b>DISBURSEMENTS FROM FUND</b>		
Transfers to Interest Fund	131,661.27	147,473.89
Transfers to Sinking Fund	338,539.64	269,442.11
	-----	-----
<b>Total Disbursements</b>	<b>469,200.91</b>	<b>416,915.80</b>
	-----	-----
<b>FUND BALANCE - ENDING</b>	<b>\$26.75</b>	<b>1,606.93</b>
	*****	*****

CONSOLIDATED QUINCY WATER COMPANY  
ANALYSIS OF INTEREST FUND BALANCE  
AUGUST 31, 1997

CASH IN FIRST NATIONAL BANK OF COMMERCE	\$1,481.52
<b>INVESTMENTS</b>	
Marquie Treasury Bond Money Market	0.00
	-----
<b>Total of Fund</b>	<b>\$1,481.52</b>
	-----

**INTEREST FUND**  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	YEAR ENDED AUGUST 31 1997	1996
	-----	-----
<b>FUND BALANCE - BEGINNING</b>	\$1,481.52	128,698.17
<b>DEPOSITS IN FUND</b>		
Transfers from Revenue Fund	133,661.37	147,474.69
Transfers from Series 1894A	0.00	1,887.95
Earnings from Investments	2,486.85	3,925.36
	-----	-----
<b>Total deposits</b>	<b>136,148.22</b>	<b>153,288.01</b>
	-----	-----
	<b>272,630.84</b>	<b>281,987.98</b>
<b>DISBURSEMENTS FROM FUND</b>		
Interest on Bond Coupons Maturing	151,343.75	168,164.36
Transfers to Sinking Fund	0.00	29,388.97
Transfers to Revenue Fund	4,461.43	2,129.29
	-----	-----
<b>Total Disbursements</b>	<b>155,805.18</b>	<b>199,682.62</b>
	-----	-----
<b>FUND BALANCE - ENDING</b>	<b>71,825.66</b>	<b>91,481.52</b>
	-----	-----

GREATER OUCHITA WATER COMPANY  
ANALYSIS OF RESERVE FUND BALANCE  
AUGUST 31, 1997

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
INVESTMENTS	
Marquis Treasury Secs Money Market	138,810.67
	-----
Total of Fund	138,810.67
	-----

RESERVE FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	YEAR ENDED 1997	AUGUST 31 1996
	-----	-----
FUND BALANCE - BEGINNING	132,318.14	130,626.36
DEPOSITS IN FUND		
Transfers from Revenue Fund	0.00	0.00
Earnings from Investments	6,531.53	6,755.31
	-----	-----
Total Deposits	6,531.53	6,755.31
	-----	-----
	138,850.67	137,381.67
DISBURSEMENTS FROM FUND		
Transfers to Revenue Fund	40.00	3,962.47
	-----	-----
Total disbursements	40.00	3,962.47
	-----	-----
FUND BALANCE - ENDING	138,810.67	132,318.14
	-----	-----



GREATER COACHITA WATER COMPANY  
ANALYSIS OF REVENUES, REPLACEMENTS AND EXTENSIONS FUND BALANCE  
AUGUST 31, 1997

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
INVESTMENTS	
Marquis Treasury Secs Money Market	12,141.80
	-----
Total of Fund	12,141.80
	-----

REVENUES, REPLACEMENTS AND EXTENSIONS FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	YEAR ENDED AUGUST 31 1997	1996
	-----	-----
FUND BALANCE - BEGINNING	21,728.18	85,247.66
DEPOSITS IN FUND		
Earnings from Investments	863.00	1,422.80
	-----	-----
Total Deposits	863.00	1,422.80
	-----	-----
	22,591.18	86,670.46
DISBURSEMENTS FROM FUND		
Transfers to Revenue Fund	684.58	1,940.89
Plant and Equipment Purchased	8,474.70	43,191.89
	-----	-----
Total Disbursements	9,159.28	45,132.78
	-----	-----
FUND BALANCE - ENDING	12,141.90	21,718.18
	-----	-----

GREATER COUCHITA WATER COMPANY  
ANALYSIS OF SINKING FUND BALANCE  
AUGUST 31, 1997

CASH IN FIRST NATIONAL BANK OF COMMERCE	4,815.24
INVESTMENTS	
Municipal Treasury Secs Money Market	330,312.67
	-----
Total of Fund	343,627.91
	-----

SINKING FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	YEAR ENDED 1997	AUGUST 31 1996
	-----	-----
FUND BALANCE - BEGINNING	321,745.66	320,170.24
DEPOSITS IN FUND		
Transfers from Revenue Fund	335,539.68	369,442.11
Transfers from Interest Fund	0.00	20,180.92
Earnings from Investments	1,395.38	18,662.37
	-----	-----
Total Deposits	338,934.86	306,575.40
	-----	-----
	668,480.44	626,745.66
DISBURSEMENTS FROM FUND		
Bond Redemption Payment	318,608.00	385,000.00
Transfers to Revenue Fund	8,752.73	0.00
	-----	-----
Total Disbursements	327,360.73	385,000.00
	-----	-----
FUND BALANCE - ENDING	343,627.91	321,745.66
	-----	-----

GREATER OKLAHOMA WATER COMPANY  
ANALYSIS OF SERIES 1994A BALANCE  
AUGUST 31, 1997

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
<b>INVESTMENTS</b>	
Marquis Treasury Secs Money Market	83,346.35
	-----
Total of Fund	83,346.35
	-----

**SERIES 1994A FUND**  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1997 AND 1996

	YEAR ENDED AUGUST 31 1997	1996
	-----	-----
FUND BALANCE - BEGINNING	178,790.72	477,114.76
<b>DEPOSITS IN FUND</b>		
Earnings from Investments	4,185.28	16,403.27
	-----	-----
Total Deposits	4,185.28	16,403.27
	-----	-----
	182,975.92	493,518.02
<b>DISBURSEMENTS FROM FUND</b>		
Cash Management Fees	0.00	0.00
Transfers to Reserve Fund	4,580.72	15,839.03
Transfers to Interest Fund	0.00	1,849.86
Plant & Equipment - Sewer Plant	85,146.34	297,778.41
	-----	-----
Total Disbursements	89,727.07	314,727.30
	-----	-----
FUND BALANCE - ENDING	83,346.35	178,790.72
	-----	-----

GREATER QUACHITA WATER COMPANY  
ANALYSIS OF REDEMPTION PAYMENT ACCOUNT  
ASSET 11, 1997

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.01
INVESTMENTS	
Marquis Treasury Sec Money Market	0.00
	-----
Total of Fund	0.01
	-----

REDEMPTION PAYMENT ACCOUNT  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED ASSET 11, 1997 AND 1996

	YEAR ENDED ASSET 11	
	1997	1996
	-----	-----
FUND BALANCE - BEGINNING	0.01	0.01
DEPOSITS IN FUND		
Total Deposits	0.00	0.00
	-----	-----
	0.01	0.01
DISBURSEMENTS FROM FUND		
Total Disbursements	0.00	0.00
	-----	-----
FUND BALANCE - ENDING	0.01	0.01
	-----	-----

ORANGE COUNTY WATER COMPANY  
 SCHEDULE OF ACCOUNTS PAYABLE  
 AUGUST 31, 1987

AND SURVEY AND SUPPLY, INC.	251.46
BREARD-GARDNER, INC.	214.27
CENTRAL OIL & SUPPLY, INC.	413.08
IPC INDUSTRIES, INC.	5,571.20
EXCELTEC CORPORATION	4,628.80
FIRST NATIONAL BANK OF COMMERCE	3,660.44
ROBERT L. GEORGE, III	4,253.39
JEARL CORPORATION	16,743.38
KEAN, MILLER, HAWTHORNE, D'ARMOND	3,488.23
L & B UTILITIES	28.86
LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY	4,000.00
MASON SURVEYING, INC.	508.00
MCINNIS BROTHERS, INC.	181,257.00
M-K UTILITIES, INC.	121,844.77
MONROE COMMUNICATIONS INC.	41.08
MONROE RINGER & GASKET, INC.	32.51
R. E. BENTE, INC.	782.11
SACA	153.87
TAXATION & REVENUE DEPT. - CITY OF MONROE	48,247.66
U. S. FILTER	3,848.82
WERN AND WERN, CTAS	14,085.00
WEST FRED MILLS & FARM SUPPLY, INC.	92.34

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 488,926.27

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GREATER OKLAHOMA WATER COMPANY  
 DETAILS OF ADMINISTRATIVE EXPENSES

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	1996
	1997	1996
	-----	-----
ACCOUNTING	20,848.00	18,488.00
ADVERTISING	4,428.17	2,842.89
BAKE CHARGES	163.72	164.84
DUSS	319.00	325.88
INSPECTION & SUPERVISION FEE	8,224.83	4,266.88
INSURANCE	38,884.81	34,861.88
LEGAL & ADMINISTRATIVE	34,722.98	28,008.14
MISCELLANEOUS	28,880.82	4,627.48
OFFICE SUPPLIES & EXPENSE	11,301.61	14,075.87
PAYROLL TAXES	2,557.47	2,760.89
POSTAGE	1,819.81	1,014.88
SALARIES - OFFICERS	28,988.28	28,988.28
SALARIES - OFFICE	3,248.92	3,386.80
TAXES & LICENSES	8,949.83	8,779.18
TELEPHONE	2,334.78	3,697.92
TRAVEL	1,406.86	2,415.86
TRUSTEE FEES	8,786.85	8,974.87
	-----	-----
	187,627.35	148,914.80
	-----	-----

PROBATED IN THE FOLLOWING MANNER:

	YEAR ENDED AUGUST 31, 1996	
WATER REVENUE	2,400,333.86	96,9108
SEWER REVENUE	381,882.84	13,8888
	-----	-----
	2,991,975.50	108,0008
	-----	-----

**GREATER MINNEAPOLIS WATER COMPANY  
DETAILS OF ADMINISTRATIVE EXPENSES**

WATER SYSTEM		SEWER SYSTEM	
YEAR ENDED AUGUST 31 1997	1998	YEAR ENDED AUGUST 31 1997	1998
17,421.54	13,454.88	2,423.84	1,988.12
1,844.75	1,779.48	579.38	243.01
140.55	142.44	22.17	21.20
377.04	199.93	41.76	28.97
4,540.91	3,717.37	682.82	549.43
21,175.28	23,402.97	3,278.43	3,458.50
7,221.00	5,426.63	28,801.98	18,262.54
28,274.03	4,821.53	3,805.59	509.87
9,848.48	12,263.34	3,452.17	2,812.93
2,222.70	2,488.37	134.73	155.52
1,328.96	883.50	198.94	130.58
12,384.47	22,443.80	3,401.81	3,246.48
2,623.30	3,924.55	428.22	432.25
2,158.88	1,279.60	4,790.70	7,489.26
1,842.18	1,652.53	292.52	244.28
3,222.79	3,104.88	184.17	318.88
8,407.61	6,084.31	3,278.02	2,893.75
-----	-----	-----	-----
182,828.39	187,298.65	88,897.56	48,018.86
-----	-----	-----	-----

FOUNDED IN THE FOLLOWING MANNER:

YEAR ENDED AUGUST 31, 1998	
2,625,846.48	87,1234
387,884.16	12,8774
-----	-----
3,013,730.64	100,0004
-----	-----

GREATER QUACHITA WATER COMPANY  
 DETAILS OF OTHER INCOME AND OTHER EXPENSES

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	1996
	1997	1996
	-----	-----
<b>OTHER INCOME</b>		
Cash Over	0.00	0.00
Bad Debt Recovery	1,280.00	1,835.26
Discounts Earned	307.04	700.93
Interest Earned	18,592.22	44,324.00
Miscellaneous	256.10	1,311.25
NSF Check Charges	4,070.00	4,093.00
Oil & Gas Royalties	80.46	94.75
West Quachita Sewer District Lease	0.00	0.00
	-----	-----
Total Other Income	32,546.27	53,788.37
	-----	-----
<b>OTHER EXPENSE</b>		
Interest Expense - Bonds S. 1964 & 1968	31,858.25	42,040.00
Interest Expense - Bonds S. 1984A	120,420.00	117,812.50
Interest Expense - Customer Deposits	17,026.25	19,993.97
Interest Expense - Central Bank	25,100.48	0.00
Pension Expense	4,750.00	6,778.00
NSF Check Charges	3,810.00	4,093.00
Provision For Bad Accounts	32,463.17	13,102.37
Cash Short	100.00	113.93
	-----	-----
Total Other Expense	217,821.05	190,864.87
	-----	-----



GREATER QUACHITA WATER COMPANY  
 DETAILS OF OTHER INCOME AND OTHER EXPENSES

WATER SYSTEM		SEWER SYSTEM	
YEAR ENDED AUGUST 31	1894	YEAR ENDED AUGUST 31	1896
1897	1894	1897	1896
\$ .00	\$ .00	0.00	0.00
1,252.68	1,828.84	0.00	0.00
987.08	706.92	0.00	0.00
14,407.02	29,921.62	4,185.20	16,488.27
256.13	1,511.25	0.00	0.00
4,979.08	4,923.08	0.00	0.00
80.44	94.75	0.00	0.00
0.00	0.00	0.00	0.00
-----	-----	-----	-----
18,055.07	37,363.10	4,185.20	16,488.27
-----	-----	-----	-----
10,184.48	18,786.36	1,701.76	2,243.44
0.00	0.00	110,428.00	117,812.50
17,026.35	13,993.57	0.00	0.00
0.00	0.00	25,184.48	0.00
5,080.81	5,983.46	889.18	872.34
3,810.00	4,093.00	0.00	0.00
19,786.62	11,545.42	2,469.84	1,556.85
183.82	119.53	0.00	0.00
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78,771.10	77,371.34	141,849.95	122,488.63
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GREATER OUCHITA WATER COMPANY  
 INTEREST EARNED ON INVESTMENTS  
 AUGUST 31, 1987

	YEAR ENDED 1987	AUGUST 31 1986
	-----	-----
GENERAL FUND	313.31	0.00
RESERVE FUND	115.85	0.00
RESERVE FUND	4,531.53	4,765.31
REPAIRS, REPLACEMENTS & EXTENSIONS FUND	563.00	1,543.80
SINKING FUND	1,395.38	17,818.55
INTEREST FUND	2,488.08	4,083.98
SERIES 1994A FUND	4,185.30	18,483.27
	-----	-----
TOTAL	15,592.35	46,324.89
	-----	-----

GREATER ORONOTA WATER COMPANY  
COMPARATIVE STATISTICS

	PAYMENT 31 1997	AUGUST 31 1998	PAYMENT 31 1999	AUGUST 31 1994	AUGUST 31 1993
Total number of water customers at end of year	12,463	12,680	12,806	12,827	12,952
Average monthly consumption per water customer	8.2 M gal.	8.2 M gal.	7.7 M gal.	7.4 M gal.	7.7 M gal.
average monthly bill per water customer	\$16.06	\$16.62	\$16.07	\$16.92	\$16.81
Total number of sewer customers at end of year	2,194	2,147	1,989	1,977	1,966
Average monthly bill per sewer customer	\$16.62	\$16.14	\$16.83	\$16.86	\$12.73

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We have audited the financial statements of Greater Ouachita Water Company as of August 31, 1997, and 1998, and have issued our report thereon, dated November 30, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Compliance with laws, regulations, contracts, and grants applicable to Greater Ouachita Water Company is the responsibility of Greater Ouachita Water Company's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Greater Ouachita Water Company's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from these failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following instance of noncompliance that is material to the financial statements and has been recognized in Greater Ouachita Water Company's 1998 and 1999 financial statements.

As noted in note 4 of the notes to financial statements of the reports ended August 31, 1997 and 1998, Greater Ouachita Water Company was issued a compliance order from the Louisiana Department of Environmental Quality for certain violations of the Louisiana Water Control law. A \$4,000.00 fine was levied on April 9, 1998, and a liability was recognized at that time.

We considered this instance of noncompliance in forming our opinion on whether Greater Ouachita Water Company's 1998 and 1999 financial statements are presented fairly, in all material respects, in

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conformity with generally accepted accounting principles and this report does not affect our report dated November 30, 1987, on these financial statements.

Except as described above, the results of our test of compliance indicated that, with respect to the items tested, Greater Ouachita Water Company complied, in all material respects, with the provisions referred to in the third paragraph of this report; and, with respect to items not tested, nothing came to our attention that caused us to believe that Greater Ouachita Water Company had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

  
Barry Hobb

November 30, 1987

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We have audited the financial statements of Greater Danville Water Company as of August 31, 1997, and 1998, and have issued our report thereon, dated November 30, 1997.

We conducted our audit in accordance with generally accepted auditing standards 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 misstatements.

In planning and performing our audit of the financial statements of Greater Danville Water Company for the years ended August 31, 1997, and 1998, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Greater Danville Water Company is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but no absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and go undetected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report we have classified the significant internal control structure policies and procedures in the following categories:

1. financial statement captions.
  - a. Plant & Equipment
  - b. Special Funds
  - c. Cash
  - d. Receivables

- e. Other Assets
  - f. Debt
  - g. Payables & Accrued Liabilities
  - h. Depreciation
2. Accounting applications:
    - a. Billings
    - b. Receivables
    - c. Cash Receipts
    - d. Accounts Payable
    - e. Cash Disbursements
    - f. General Ledger
  3. Cycles of the entity's activities
  4. Controls used in administering compliance with laws and regulations:
    - a. General Controls
    - b. Specific Controls

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the audit committee, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

  
Barry Webb

November 20, 1997