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GREATER OUACHITA WATER COMPANY  
MONROE, LOUISIANA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997  
AND  
INDEPENDENT AUDITORS' REPORT

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~MAY 7 1998~~

WEBB AND WEBB  
CERTIFIED PUBLIC ACCOUNTANTS  
MONROE, LOUISIANA

GREATER OUACHITA WATER COMPANY  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

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**WEBB AND WEBB**  
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CERTIFIED PUBLIC ACCOUNTANTS

LEONARD MARK WEBB, CPA  
BARRY P. WEBB, SR., 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, 1998, and 1997, and the related statements of income, surplus, and cash flows 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. 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 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, 1998 and 1997, 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 LaDEQ to have violated certain provisions of the Louisiana Water Control law. The financial statements were adjusted on August 31, 1990, to reflect the action of the State of Louisiana for these instances of non-compliance

WEBB AND WEBB

Monroe, Louisiana  
November 30, 1998

GREATER OUACHITA WATER COMPANY  
BALANCE SHEET

ASSETS

	AUGUST 31	
	1998	1997
	-----	-----
<b>PLANT &amp; EQUIPMENT</b>		
Cost of Systems	18,924,064.68	17,493,812.95
Accumulated Depreciation	5,777,826.26	5,246,392.26
	-----	-----
Net Plant & Equipment	13,146,238.42	12,247,420.69
<b>SPECIAL FUNDS</b>		
Revenue Fund	440.02	826.85
Interest Fund	129,958.34	71,825.66
Reserve Fund	320,753.74	138,810.67
Renewals, Replacements & Extensions Fund	97,915.13	12,141.90
Sinking Fund	265,531.34	342,927.91
Series 97A&B Improvement Account	1,563,893.07	0.00
Series 1994A Improvement Fund	13,841.78	83,246.25
Redemptions Payment Account	0.01	0.01
	-----	-----
Total Special Funds	2,392,333.43	649,779.25
<b>CURRENT ASSETS</b>		
General Fund Cash	199,043.74	68,250.56
Accounts Receivable - Customers	602,713.06	529,276.49
Accounts Receivable - Returned Checks	7,170.10	4,879.56
Accounts Receivable - Other	5,722.82	1,062.00
	-----	-----
Allowance for Bad Accounts	615,605.98	535,218.05
	3,158.29	2,821.98
	-----	-----
	612,447.69	532,396.07
Prepaid Expense	26,427.17	19,428.94
	-----	-----
Total Current Assets	837,918.60	620,075.57
<b>DEFERRED CHARGES</b>		
Unamortized Bond Discount	1,912.24	3,824.92
Unamortized Bond Issue Expense	178,993.43	50,292.75
	-----	-----
Total Deferred Charges	180,905.67	54,117.67
<b>OTHER ASSETS</b>		
Deposits	12,500.00	12,500.00
	-----	-----
<b>TOTAL ASSETS</b>	<b>16,569,896.12</b>	<b>13,583,893.18</b>
	=====	=====

GREATER OUACHITA WATER COMPANY  
BALANCE SHEET

LIABILITIES

	AUGUST 31	
	1998	1997
<i>LONG-TERM DEBT</i>		
Bonds Payable - Series 1964 & 1965	424,250.00	629,250.00
Bonds Payable - Series 1994A	1,645,000.00	1,770,000.00
Bonds Payable - Series 97A&B Improvements	3,500,000.00	0.00
Total Long-Term Debt	5,569,250.00	2,399,250.00
<i>FUNDED LIABILITIES</i>		
Interest Payable	156,415.00	71,043.75
<i>CURRENT LIABILITIES</i>		
Accounts Payable - Trade	239,829.02	408,525.27
Accounts Payable - West Ouachita Sewer	209,613.06	177,365.48
Accounts Payable - Other Sewer	70,981.77	64,680.34
Payroll Taxes Payable	430.75	372.89
Sales Taxes Payable	9,148.00	7,498.00
Notes Payable - Central Bank	725,000.00	1,088,000.00
Total Current Liabilities	1,255,002.60	1,746,441.98
<i>DEFERRED LIABILITIES</i>		
Customer Meter Deposits	391,990.50	337,428.00
<b>TOTAL LIABILITIES</b>	7,372,658.10	4,554,163.73
<i>SURPLUS</i>		
CONTRIBUTION IN AID OF CONSTRUCTION (Non-Refundable)	2,148,800.41	2,042,510.80
UNAPPROPRIATED SURPLUS	7,048,437.61	6,987,218.65
	9,197,238.02	9,029,729.45
<b>TOTAL LIABILITIES &amp; SURPLUS</b>	16,569,896.12	13,583,893.18



GREATER OUACHITA WATER COMPANY  
STATEMENTS OF INCOME

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	
	1998	1997
	-----	-----
OPERATING REVENUE		
Revenue	3,146,374.69	2,883,482.86
Forfeited Discounts	74,060.31	67,248.64
Reconnect Charges	41,888.00	40,589.00
Sewer Inspection Fees	684.00	655.00
	-----	-----
Total Operating Revenue	3,263,007.00	2,991,975.50
DIRECT OPERATING EXPENSES		
Operating Contract	860,024.53	814,810.25
Power	387,957.70	374,657.25
Maintenance	210,215.28	192,890.88
Chemicals - Sewer	39,576.45	77,351.64
Testing - Sewer	27,994.00	26,670.00
Engineering Services	27,075.20	20,100.66
Water Purchased	642,232.17	534,359.07
Water Used in Sewer Plant	936.08	1,142.79
Service & Franchis Fees	11,337.45	8,915.63
Right of Way	3,200.00	5,500.00
	-----	-----
Total Direct Operating Expenses	2,210,548.86	2,056,398.17
NET OPERATING INCOME	1,052,458.14	935,577.33
ADMINISTRATIVE EXPENSES	196,356.94	187,827.35
NET OPERATING PROFIT	856,101.20	747,749.98
OTHER INCOME	97,036.82	22,240.27
	-----	-----
	953,138.02	769,990.25
OTHER EXPENSES	344,626.16	217,821.05
NET INCOME BEFORE AMORTIZATION & DEP'N.	608,511.86	552,169.20
AMORTIZATION & DEPRECIATION		
Amort. of Bond Discount	1,912.68	1,912.68
Amort. of Bond Issue Exp.-1964 & 65	1,596.36	1,596.36
Amort. of Bond Issue Exp.-1994A	3,357.60	3,357.60
Amort. Of Bond Issue Exp.-97A&B	8,992.26	0.00
Depreciation Expense	531,434.00	480,747.00
	-----	-----
Total Amortization & Depreciation	547,292.90	487,613.64
NET INCOME FOR THE YEAR	61,218.96	64,555.56
	=====	=====

GREATER OUACHITA WATER COMPANY  
STATEMENTS OF INCOME

WATER SYSTEM		SEWER SYSTEM	
YEAR ENDED AUGUST 31 1998	1997	YEAR ENDED AUGUST 31 1998	1997
2,709,760.76	2,492,495.22	436,613.93	390,987.64
74,060.31	67,248.64	0.00	0.00
41,888.00	40,589.00	0.00	0.00
0.00	0.00	684.00	655.00
<u>2,825,709.07</u>	<u>2,600,332.86</u>	<u>437,297.93</u>	<u>391,642.64</u>
707,472.39	665,419.50	152,552.14	149,390.75
300,949.08	306,606.54	87,008.62	68,050.71
176,822.11	153,993.82	33,393.17	38,897.06
0.00	0.00	39,576.45	77,351.64
0.00	0.00	27,994.00	26,670.00
17,808.00	15,419.27	9,267.20	4,681.39
642,232.17	534,359.07	0.00	0.00
0.00	0.00	936.08	1,142.79
5,989.45	3,815.63	5,348.00	5,100.00
3,200.00	5,500.00	0.00	0.00
<u>1,854,473.20</u>	<u>1,685,113.83</u>	<u>356,075.66</u>	<u>371,284.34</u>
<u>971,235.87</u>	<u>915,219.03</u>	<u>81,222.27</u>	<u>20,358.30</u>
<u>123,328.90</u>	<u>130,829.79</u>	<u>73,028.04</u>	<u>56,997.56</u>
<u>847,906.97</u>	<u>784,389.24</u>	<u>8,194.23</u>	<u>(36,639.26)</u>
<u>51,282.42</u>	<u>18,055.07</u>	<u>45,754.40</u>	<u>4,185.20</u>
<u>899,189.39</u>	<u>802,444.31</u>	<u>53,948.63</u>	<u>(32,454.06)</u>
<u>109,827.16</u>	<u>76,771.10</u>	<u>234,799.00</u>	<u>141,049.95</u>
<u>789,362.23</u>	<u>725,673.21</u>	<u>(180,850.37)</u>	<u>(173,504.01)</u>
1,810.50	1,810.50	102.18	102.18
1,511.08	1,511.08	85.28	85.28
0.00	0.00	3,357.60	3,357.60
2,697.68	0.00	6,294.58	0.00
358,800.00	358,140.00	172,634.00	122,607.00
<u>364,819.26</u>	<u>361,461.58</u>	<u>182,473.64</u>	<u>126,152.06</u>
<u>424,542.97</u>	<u>364,211.63</u>	<u>(363,324.01)</u>	<u>(299,656.07)</u>

GREATER OUACHITA WATER COMPANY  
STATEMENT OF SURPLUS

	AUGUST 31	
	1998	1997
	-----	-----
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>		
Balance - Beginning	2,042,510.80	1,836,350.59
Additions		
Water Tap Fees	75,866.00	77,950.00
Sewer Tap Fees	10,550.00	9,950.00
Other	19,873.61	118,260.21
	-----	-----
Balance - Ending	2,148,800.41	2,042,510.80
	-----	-----
<b>UNAPPROPRIATED SURPLUS</b>		
Balance - Beginning	6,987,218.65	6,922,663.09
Additions		
Net Income For The Year	61,218.96	64,555.56
	-----	-----
Balance - Ending	7,048,437.61	6,987,218.65
	-----	-----
<b>TOTAL SURPLUS - ENDING</b>	<b>9,197,238.02</b>	<b>9,029,729.45</b>
	=====	=====



GREATER OUACHITA WATER COMPANY  
STATEMENTS OF INCREASE (DECREASE) IN  
CASH AND CASH EQUIVALENTS

	YEAR ENDED 1998	AUGUST 31 1997
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	61,218.96	64,555.56
Noncash Items Included In Net Income		
Amortization of Bond Discount	1,912.68	1,912.68
Amortization of Bond Issue Expense	13,946.22	4,953.96
Depreciation	531,434.00	480,747.00
Changes in:		
Accounts Receivable	(80,051.62)	(50,214.05)
Prepaid Expenses	(6,998.23)	(13,075.10)
Unamortized Bond Issue Expense	(142,646.90)	(8,975.00)
Interest Payable	85,371.25	(8,862.50)
Accounts Payable - Trade	(168,696.25)	224,173.67
Accounts Payable - Sewers	38,549.01	34,852.54
Payroll Taxes	57.86	0.12
Sales Taxes	1,650.00	(1,036.00)
	-----	-----
Total Adjustments	(272,764.88)	176,863.68
	-----	-----
Net Cash Provided By (Used By) Operating Activities	335,746.98	729,032.88
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Plant & Equipment	(1,430,251.73)	(1,867,338.95)
	-----	-----
Net Cash Provided By (Used By) Investing Activities	(1,430,251.73)	(1,867,338.95)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investments in Special Funds	(1,742,554.18)	97,962.91
Customer Meter Deposits	54,562.50	14,702.00
Contributions in Aid of Construction	106,289.61	206,160.21
Payoff Loan From Central Bank	(1,088,000.00)	0.00
Loan From Central Bank	725,000.00	1,088,000.00
New Bond Issue	3,500,000.00	0.00
Redemption of Bonds Payable	(330,000.00)	(325,750.00)
	-----	-----
Net Cash Provided By (Used By) Financing Activities	1,225,297.93	1,081,075.12
	-----	-----
<b>NET INCREASE (DECREASE) IN CASH</b>	130,793.18	(57,230.95)
<b>CASH AT BEGINNING OF YEAR</b>	68,250.56	125,481.51
	-----	-----
<b>CASH AT END OF YEAR</b>	199,043.74	68,250.56
	=====	=====

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1998

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, 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 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 1, 1964, was made by and between the Greater Ouachita Water Company and the First National Bank of Commerce in New Orleans, Now Bank One, 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 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. These proceeds are to be used in the building of a new sewer treatment plant.

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 of M-N Utilities, Inc.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 1998

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	11,586.33
Robert E. Bentz, President	7,688.12
Wood T Sparks, Secretary-Treasurer	<u>10,286.96</u>
	29,561.41
	=====

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 - 50 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 Revenue Fund.

Monies received in the Revenue 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, 1998, the balance in the Interest Fund was \$129,958.34. Interest payable at August 31, 1998, was \$156,415.00.
2. Reserve Fund until an amount equal to 100% of the maximum annual interest requirements on all outstanding bonds is accumulated or restored.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 1998

3. Renewals, Replacements & Extensions Fund until \$150,000.00 is accumulated or restored. During the period under review, additions and expenditures made to and from this fund for improvements to the system resulted in a balance of \$97,915.13.
  
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, 1969 - 1997	3,235,000.00
August 15, 1998	335,000.00
	-----
	3,570,000.00
	=====

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

5. Mandatory Retirement Fund, all remaining monies. On August 23 of each year, beginning August 25, 1969, all monies in the Sinking Fund will be transferred to this fund. At August 31, 1998, 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:

Original Bond Discount	66,400.00
Less Prior Year Amortization	62,575.08
Less Current Year Amortization	1,912.68
	-----
Total Amortization	64,487.76
	-----
Balance at August 31, 1998	1,912.24
	=====



GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 1998

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

Total Cost at August 31, 1997	98,032.16
Issue Cost of Series 97A&B	142,646.90
	-----
Total Cost	240,679.06
Less Prior Year Amortization	64,620.66
Less Current Year Amortization	13,946.22
	-----
Total Amortization	78,566.88
	-----
Balance at August 31, 1998	162,112.18
	=====

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, 1998, totaled \$1,430,251.73, and for the year ended August 31, 1997, totaled \$1,867,338.95. Shown below is an analysis of the cost of the system by expenditures from various funds:

	BALANCE 8/31/97	DURING YEAR	BALANCE 8/31/98
Bond Proceeds Series 1964	1,922,208.08		1,922,208.08
Bond Proceeds Series 1965	907,211.16		907,211.16
General Fund	9,974,575.78	1,115,255.39	11,089,831.17

continued on next page:



GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1998

Renewals, Replacements & Extensions Fund	2,984,290.54	27,038.58	3,011,329.12
Revenue Fund	35,015.84		35,015.84
1994A Fund	1,589,319.75	69,404.47	1,658,724.22
97A&B Fund	.00	218,553.29	218,553.29
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
B & W Utilities, Inc.			
Water System	44,658.00		44,658.00
	-----	-----	-----
	17,725,079.15	1,430,251.73	19,155,330.88
Less Retirements			
Gas System Transferred ( 231,266.20)	( 231,266.20)		( 231,266.20)
	-----	-----	-----
Total	17,493,812.95	1,430,251.73	18,924,064.68
	=====	=====	=====

NOTE D - LONG TERM DEBT

The company issued bonds known as "Waterworks & Natural Gas System Revenue Bonds" in two series. Series 1964 bonds total \$2,270,000.00, are dated September 1, 1964, and mature September 1, 1999. Series 1965 bonds total \$1,050,000.00, are dated March 1, 1965, and mature September 1, 1999. Interest is paid semi-annually on March 1, and September 1. The interest rate is 5.5% through August 31, 1972, 5.625% from September 1, 1972, through August 31, 1979, and 5.00% from September 1, 1979, until maturity.

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 \$2,000,000.00. 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 Bank One, Monroe, Louisiana on such date. Principle shall be payable annually on September 1 in each year commencing September 1, 1995.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1998

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 \$3,500,000.00. Interest is paid semi-annually on March 1, and September 1. The interest rate shall begin at 5.675%

During the year ended August 31, 1998, \$335,000.00 in bonds were redeemed, and during the year ended August 31, 1997, \$310,000.00 in bonds were redeemed, bringing the total of all bonds redeemed to \$3,240,000.00. The balance of bonds outstanding at August 31, 1998, was \$5,569,250.00.

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 the Greater Ouachita Water Company ("GOWC") alleging certain violations of the Louisiana Water Control law, the Louisiana Water Regulations and previously issued compliance Order No. WC-88-149.

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-90-013) in the amount of \$6,000.00 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 \$6,000.00 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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1998

most of the present facilities will be closed and the sewage treated at the new plants. The first treatment plant located in the northeastern portion of Ouachita Parish adjacent to Highway 139 has been completed and is now in operation. Construction of the second plant located on Highway 165 South has also been completed and the company is now installing sewer lines to connect its sewer systems to the plant. The third plant along Highway 165 North is in the planning stage and may be construction if other alternatives are not available. Sewer customers not connect to the regional plants will be transferred to sewer districts, serviced by other utility companies pursuant to contract or served by upgraded small package plants. The anticipated costs to fully comply with the permit requirements and build the sewer treatment plants are approximately \$4 million. The company's application for a sewer rate increase to obtain sufficient revenues to pay for the improvements were granted in part.

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 25% of the participant's compensation. The amount contributed during the year ended August 31, 1998 was 7,800.00, and for August 31, 1997, was \$6,750.00.

**SUPPLEMENTARY INFORMATION**

**WEBB AND WEBB**  
*Certified Public Accountants*  
801 STUBBS AVENUE  
P.O. BOX 2053  
MONROE, LOUISIANA 71207  
318/388-0627

LEONARD MARK WEBB, CPA  
BARRY P. WEBB, SR., CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 1998, and 1997, 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 purposes 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.

**WEBB AND WEBB**

Monroe, Louisiana  
November 30, 1998



GREATER OUACHITA WATER COMPANY  
 PLANT AND EQUIPMENT AND DEPRECIATION  
 AUGUST 31, 1998

	COST AT 8/31/97	ADDITIONS	COST AT 8/31/98
<b>WATER SYSTEM</b>			
Original Cost 9/28/64	1,277,027.07	0.00	1,277,027.07
Original Cost 3/12/65	675,686.86	0.00	675,686.86
	-----	-----	-----
	1,952,713.93	0.00	1,952,713.93
<b>Additions &amp; Renovations</b>			
Mains & Extensions	4,107,528.03	822,905.43	4,930,433.46
Service Lines	3,344,500.59	140,548.51	3,485,049.10
Water Meters	740,115.26	26,138.98	766,254.24
Wells & Equipment	2,518,551.79	13,444.87	2,531,996.66
Chlorinator Equipment	131,204.13	0.00	131,204.13
Other Equipment	78,784.38	19,880.00	98,664.38
	-----	-----	-----
Total Additions	10,920,684.18	1,022,917.79	11,943,601.97
Total Water System	12,873,398.11	1,022,917.79	13,896,315.90
<b>SEWER SYSTEM</b>			
Original Cost 9/28/64	126,000.00	0.00	126,000.00
Original Cost 3/12/65	33,514.56	0.00	33,514.56
	-----	-----	-----
	159,514.56	0.00	159,514.56
Additions & Improvements	3,882,082.28	389,833.94	4,271,916.22
	-----	-----	-----
Total Sewer System	4,041,596.84	389,833.94	4,431,430.78
LAND	578,818.00	17,500.00	596,318.00
	-----	-----	-----
<b>TOTAL PLANT &amp; EQUIPMENT</b>	<b>17,493,812.95</b>	<b>1,430,251.73</b>	<b>18,924,064.68</b>
	=====	=====	=====

GREATER OUACHITA WATER COMPANY  
 PLANT AND EQUIPMENT AND DEPRECIATION  
 AUGUST 31, 1998

PRIOR DEPRECIATION	CURRENT DEPRECIATION	ACCUMULATED DEPRECIATION 8/31/98	UNDEPRECIATED BALANCE 8/31/98
838,259.09	25,541.00	863,800.09	413,226.98
439,199.56	13,514.00	452,713.56	222,973.30
----- 1,277,458.65	----- 39,055.00	----- 1,316,513.65	----- 636,200.28
1,332,585.29	135,326.00	1,467,911.29	3,462,522.17
959,657.05	103,704.00	1,063,361.05	2,421,688.05
274,290.45	22,708.00	296,998.45	469,255.79
804,015.56	64,769.00	868,784.56	1,663,212.10
41,805.28	4,081.00	45,886.28	85,317.85
35,394.79	4,110.00	39,504.79	59,159.59
----- 3,447,748.42	----- 334,698.00	----- 3,782,446.42	----- 8,161,155.55
4,725,207.07	373,753.00	5,098,960.07	8,797,355.83
85,470.00	2,520.00	87,990.00	38,010.00
21,781.08	670.00	22,451.08	11,063.48
----- 107,251.08	----- 3,190.00	----- 110,441.08	----- 49,073.48
413,934.11	154,491.00	568,425.11	3,703,491.11
----- 521,185.19	----- 157,681.00	----- 678,866.19	----- 3,752,564.59
0.00	0.00	0.00	596,318.00
----- 5,246,392.26	----- 531,434.00	----- 5,777,826.26	----- 13,146,238.42
=====	=====	=====	=====



GREATER OUACHITA WATER COMPANY  
SCHEDULE OF INSURANCE  
AUGUST 31, 1998

COMPANY	POLICY NO.	AGENT	TYPE
American Central Ins. Co.	MER 563817	Troy & Montgomery	Fire and extended coverage, vandalism, malicious mischief General Liability " " " Auto Liability
American Central Ins. Co.	MED 296500		Commercial Umbrella & Liability
Western Surety Company	1228024	Troy & Montgomery	Fidelity Bond
LA Workers Compensation Corp	6842	Troy & Montgomery	Workmen's Comp.
Coregis Insurance Co.	NPN 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.	MER 526306	Troy & Montgomery	General Liability
The American Central Insurance Co.	MEAK 54234	Troy & Montgomery	Auto liability, collision, comprehensive coverage, medical payments uninsured motorist
Louisiana Employers Safety Assoc. Self Insurers Fund	777-1997	Summit Consulting Inc.	Workmen's Comp.

GREATER OUACHITA WATER COMPANY  
ANALYSIS OF REVENUE FUND BALANCE  
AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
 INVESTMENTS	
Marquis Treasury Secs Money Market	440.02
	-----
Total of Fund	440.02
	=====

REVENUE FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED 1998	AUGUST 31 1997
	-----	-----
FUND BALANCE - BEGINNING	826.85	1,666.93
 DEPOSITS IN FUND		
Transfers from Operating Fund	411,000.00	455,000.00
Transfers from Interest Fund	4,204.76	4,461.43
Transfers from Reserve Fund	527.41	40.00
Transfers from Renewals, Replacements & Extensions Fund	484.06	684.58
Transfers from Sinking Fund	5,588.20	3,478.11
Transfers from Series 1994A	1,895.21	4,580.72
Earnings from Investments	539.82	115.95
	-----	-----
Total Deposits	424,239.46	468,360.79
	-----	-----
	425,066.31	470,027.72
 DISBURSEMENTS FROM FUND		
Transfers to Interest Fund	167,407.62	133,661.27
Transfers To Sinking Fund	257,218.67	335,539.60
	-----	-----
Total Disbursements	424,626.29	469,200.87
	-----	-----
FUND BALANCE - ENDING	440.02	826.85
	=====	=====



GREATER OUACHITA WATER COMPANY  
ANALYSIS OF INTEREST FUND BALANCE  
AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	49.40
INVESTMENTS	
Marquis Treasury Secs Money Market	129,908.94
	-----
Total of Fund	129,958.34
	=====

INTEREST FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED 1998	AUGUST 31 1997
	-----	-----
FUND BALANCE - BEGINNING	71,825.66	91,481.52
DEPOSITS IN FUND		
Transfers from Revenue Fund	167,407.62	133,661.27
Transfers from R.R.& E. Fund	2,845.47	0.00
Transfers from Sinking Fund	4,470.58	0.00
Transfers from 97 A&B Fund	57,724.54	0.00
Transfers from Series 1994A	1,280.33	0.00
Earnings from Investments	4,234.32	2,488.05
	-----	-----
Total Deposits	237,962.86	136,149.32
	-----	-----
	309,788.52	227,630.84
DISBURSEMENTS FROM FUND		
Interest on Bond Coupons Maturing	175,625.42	151,343.75
Transfers to Sinking Fund	0.00	0.00
Transfers to Revenue Fund	4,204.76	4,461.43
	-----	-----
Total Disbursements	179,830.18	155,805.18
	-----	-----
FUND BALANCE - ENDING	129,958.34	71,825.66
	=====	=====

GREATER OUACHITA WATER COMPANY  
ANALYSIS OF RESERVE FUND BALANCE  
AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
 INVESTMENTS	
Marquis Treasury Secs Money Market	320,753.74
	-----
Total of Fund	320,753.74
	=====

RESERVE FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED AUGUST 31 1998	1997
	-----	-----
FUND BALANCE - BEGINNING	138,810.67	132,319.14
 DEPOSITS IN FUND		
Transfers from 97A&B Fund	169,442.51	0.00
Earnings from Investments	13,027.97	6,531.53
	-----	-----
Total Deposits	182,470.48	6,531.53
	-----	-----
	321,281.15	138,850.67
 DISBURSEMENTS FROM FUND		
Transfers to Revenue Fund	527.41	40.00
	-----	-----
Total Disbursements	527.41	40.00
	-----	-----
FUND BALANCE - ENDING	320,753.74	138,810.67
	=====	=====

GREATER OUACHITA WATER COMPANY  
 ANALYSIS OF RENEWALS, REPLACEMENTS AND EXTENSIONS FUND BALANCE  
 AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
 INVESTMENTS	
Marquis Treasury Secs Money Market	97,915.13
	-----
Total of Fund	97,915.13
	=====

RENEWALS, REPLACEMENTS AND EXTENSIONS FUND  
 COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
 FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED AUGUST 31 1998	1997
	-----	-----
FUND BALANCE - BEGINNING	12,141.90	21,738.18
 DEPOSITS IN FUND		
Transfers from 97A&B Fund	112,816.65	0.00
Earnings from Investments	3,324.69	563.00
	-----	-----
Total Deposits	116,141.34	563.00
	-----	-----
	128,283.24	22,301.18
 DISBURSEMENTS FROM FUND		
Transfers to Revenue Fund	484.06	684.58
Transfers to Interest Fund	2,845.47	0.00
Plant and Equipment Purchased	27,038.58	9,474.70
	-----	-----
Total Disbursements	30,368.11	10,159.28
	-----	-----
FUND BALANCE - ENDING	97,915.13	12,141.90
	=====	=====

GREATER OUACHITA WATER COMPANY  
ANALYSIS OF SINKING FUND BALANCE  
AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
 INVESTMENTS	
Marquis Treasury Secs Money Market	265,531.34
	-----
Total of Fund	265,531.34
	=====

SINKING FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED AUGUST 31 1998	1997
	-----	-----
FUND BALANCE - BEGINNING	342,927.91	321,745.66
 DEPOSITS IN FUND		
Transfers from Revenue Fund	257,218.67	335,539.60
Transfers from Interest Fund	0.00	0.00
Earnings from Investments	5,443.54	1,395.38
	-----	-----
Total Deposits	262,662.21	336,934.98
	-----	-----
	605,590.12	658,680.64
 DISBURSEMENTS FROM FUND		
Bond Redemption Payment	330,000.00	310,000.00
Transfers to Interest Fund	4,470.58	
Transfers to Revenue Fund	5,588.20	5,752.73
	-----	-----
Total Disbursements	340,058.78	315,752.73
	-----	-----
FUND BALANCE - ENDING	265,531.34	342,927.91
	=====	=====

GREATER OUACHITA WATER COMPANY  
ANALYSIS OF SERIES 1994A BALANCE  
AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	0.00
INVESTMENTS	
Marquis Treasury Secs Money Market	13,841.78
	-----
 Total of Fund	 13,841.78
	=====

SERIES 1994A FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED AUGUST 31	
	1998	1997
	-----	-----
FUND BALANCE - BEGINNING	83,246.25	178,790.72
 DEPOSITS IN FUND		
Earnings from Investments	3,175.54	4,185.20
	-----	-----
Total Deposits	3,175.54	4,185.20
	-----	-----
	86,421.79	182,975.92
 DISBURSEMENTS FROM FUND		
Transfers to Revenue Fund	1,895.21	4,580.72
Transfers to Interest Fund	1,280.33	0.00
Plant & Equipment - Sewer Plant	69,404.47	95,146.34
	-----	-----
Total Disbursements	72,580.01	99,729.67
	-----	-----
 FUND BALANCE - ENDING	 13,841.78	 83,246.25
	=====	=====



GREATER OUACHITA WATER COMPANY  
ANALYSIS OF 97A&B FUND BALANCE  
AUGUST 31, 1998

CASH IN FIRST NATIONAL BANK OF COMMERCE	(62,339.77)
INVESTMENTS	
Marquis Treasury Secs Money Market	1,626,232.84
	-----
Total of Fund	1,563,893.07
	=====

97A&B FUND  
COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

	YEAR ENDED AUGUST 31 1998	1997
	-----	-----
FUND BALANCE - BEGINNING	0.00	0.00
DEPOSITS IN FUND		
Bond Issue	3,500,000.00	0.00
Earnings from Investments	60,826.95	0.00
	-----	-----
Total Deposits	3,560,826.95	0.00
	-----	-----
	3,560,826.95	0.00
DISBURSEMENTS FROM FUND		
Transfers to R.R. & E. Fund	112,816.65	0.00
Transfers to Reserve Fund	169,442.51	0.00
Transfers to Interest Fund	57,724.54	0.00
Bond Issue Expense	137,562.50	0.00
Payoff Loan at Central Bank	1,300,834.39	0.00
Sewer Plant	218,553.29	0.00
	-----	-----
Total Disbursements	1,996,933.88	0.00
	-----	-----
FUND BALANCE - ENDING	1,563,893.07	0.00
	=====	=====

GREATER OUACHITA WATER COMPANY  
ANALYSIS OF REDEMPTION PAYMENT ACCOUNT  
AUGUST 31, 1998

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 AUGUST 31, 1998 AND 1997

	YEAR ENDED 1998	AUGUST 31 1997
	-----	-----
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
	=====	=====

GREATER OUACHITA WATER COMPANY  
SCHEDULE OF ACCOUNTS PAYABLE  
AUGUST 31, 1998

AMS SURVEY AND SUPPLY, INC.	151.91
BRALEY'S FINANCIAL SYSTEMS, INC.	238.33
BROOKS ELECTRIC, INC.	481.80
D & W SYSTEM SALES, INC.	5,736.00
DELTA PROCESS, INC.	599.63
DPC INDUSTRIES, INC.	10,145.05
EMS ELECTRICAL & MECHANICAL	427.68
GULF STATES UTILITY, INC.	836.36
JABAR CORPORATION	5,706.33
KEAN, MILLER, HAWTHORNE, D'ARMOND	64.00
LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY	6,000.00
LOUISIANA UTILITY SUPPLY, INC.	329.80
M-N UTILITIES, INC.	159,759.27
MONROE COMMUNICATIONS INC.	41.08
ONE CALL CONCEPTS, INC.	361.20
PACO PUMPS, INC.	3,950.00
PRAIRIE ROAD WATER DISTRICT	1,125.63
R. E. BENTZ, INC.	391.91
SAIA	224.83
STUART C. IRBY, INC.	284.94
SUMMERS SUPPLY, INC.	209.28
TAXATION & REVENUE DEPT. - CITY OF MONROE	41,614.52
U. S. FILTER	813.75
WEST FEED MILLS & FARM SUPPLY, INC.	335.72
	-----
	239,829.02
	=====

GREATER OUACHITA WATER COMPANY  
 DETAILS OF ADMINISTRATIVE EXPENSES

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	
	1998	1997
	-----	-----
ACCOUNTING	16,045.00	20,045.00
ADVERTISING	191.71	4,426.17
BANK CHARGES	138.72	161.72
DUES	1,807.64	319.00
INSPECTION & SUPERVISION FEE	1,865.09	5,224.83
INSURANCE	23,597.79	25,054.91
LEGAL & ADMINISTRATIVE	61,826.56	36,722.95
MISCELLANEOUS	8,820.68	29,080.62
OFFICE SUPPLIES & EXPENSE	13,229.39	11,101.61
PAYROLL TAXES	2,775.08	2,557.47
POSTAGE	2,547.87	1,519.91
SALARIES - OFFICERS	29,561.41	25,988.28
SALARIES - OFFICE	3,844.06	3,248.52
TAXES & LICENSES	13,013.48	8,949.65
TELEPHONE	1,882.28	2,234.70
TRAVEL	395.62	1,406.96
TRUSTEE FEES	14,814.56	9,785.05
	-----	-----
	196,356.94	187,827.35
	=====	=====

PRORATED IN THE FOLLOWING MANNER:

	YEAR ENDED AUGUST 31, 1998	
WATER REVENUE	2,709,760.76	86.123%
SEWER REVENUE	436,613.93	13.877%
	-----	-----
	3,146,374.69	100.000%
	=====	=====

GREATER OUACHITA WATER COMPANY  
 DETAILS OF ADMINISTRATIVE EXPENSES

WATER SYSTEM		SEWER SYSTEM	
YEAR ENDED AUGUST 31		YEAR ENDED AUGUST 31	
1998	1997	1998	1997
13,818.48	17,421.16	2,226.52	2,623.84
165.11	3,846.79	26.60	579.38
119.47	140.55	19.25	21.17
1,556.80	277.24	250.84	41.76
1,606.28	4,540.91	258.81	683.92
20,323.19	21,775.28	3,274.60	3,279.63
21,830.48	7,221.00	39,996.08	29,501.95
7,596.66	25,274.03	1,224.02	3,806.59
11,393.58	9,648.44	1,835.81	1,453.17
2,389.99	2,222.70	385.09	334.77
2,194.31	1,320.96	353.56	198.95
25,459.25	22,586.47	4,102.16	3,401.81
3,310.63	2,823.30	533.43	425.22
2,424.07	2,158.95	10,589.41	6,790.70
1,621.08	1,942.18	261.20	292.52
340.72	1,222.79	54.90	184.17
7,178.81	6,407.03	7,635.75	3,378.02
123,328.90	130,829.79	73,028.04	56,997.56
123,328.90	130,829.79	73,028.04	56,997.56

PRORATED IN THE FOLLOWING MANNER:

YEAR ENDED AUGUST 31, 1997	
2,600,332.86	86.910%
391,642.64	13.090%
2,991,975.50	100.000%
2,991,975.50	100.000%



GREATER OUACHITA WATER COMPANY  
 DETAILS OF OTHER INCOME AND OTHER EXPENSES

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	YEAR ENDED AUGUST 31
	1998	1997
	-----	-----
<b>OTHER INCOME</b>		
Bad Debt Recovery	1,268.05	1,253.60
Discounts Earned	613.56	987.86
Interest Earned	90,572.83	15,592.22
Miscellaneous	735.37	256.13
NSF Check Charges	3,792.00	4,070.00
Oil & Gas Royalties	55.01	80.46
	-----	-----
Total Other Income	97,036.82	22,240.27
	=====	=====
 <b>OTHER EXPENSE</b>		
Interest Expense - Bonds S. 1964 & 1965	22,000.00	31,856.25
Interest Expense - Bonds S. 1994A	92,185.00	110,625.00
Interest Expense - Bonds 97 A&B	146,811.67	0.00
Interest Expense - Customer Deposits	16,519.43	17,026.35
Interest Expense - Central Bank	35,253.17	25,184.46
Pension Expense	8,201.92	6,750.00
NSF Check Charges	3,652.00	3,810.00
Provision For Bad Accounts	19,871.01	22,465.17
Cash Short	131.96	103.82
	-----	-----
Total Other Expense	344,626.16	217,821.05
	=====	=====

GREATER OUACHITA WATER COMPANY  
 DETAILS OF OTHER INCOME AND OTHER EXPENSES

WATER SYSTEM		SEWER SYSTEM	
YEAR ENDED AUGUST 31		YEAR ENDED AUGUST 31	
1998	1997	1998	1997
1,268.05	1,253.60	0.00	0.00
613.56	987.86	0.00	0.00
44,818.43	11,407.02	45,754.40	4,185.20
735.37	256.13	0.00	0.00
3,792.00	4,070.00	0.00	0.00
55.01	80.46	0.00	0.00
-----	-----	-----	-----
51,282.42	18,055.07	45,754.40	4,185.20
=====	=====	=====	=====
20,824.76	30,154.49	1,175.24	1,701.76
0.00	0.00	92,185.00	110,625.00
44,043.50	0.00	102,768.17	0.00
16,519.43	17,026.35	0.00	0.00
0.00	0.00	35,253.17	25,184.46
7,145.77	5,880.81	1,056.15	869.19
3,652.00	3,810.00	0.00	0.00
17,509.74	19,795.63	2,361.27	2,669.54
131.96	103.82	0.00	0.00
-----	-----	-----	-----
109,827.16	76,771.10	234,799.00	141,049.95
=====	=====	=====	=====

GREATER OUACHITA WATER COMPANY  
INTEREST EARNED ON INVESTMENTS  
AUGUST 31, 1998

	YEAR ENDED 1998	AUGUST 31 1997
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GENERAL FUND	0.00	313.21
REVENUE FUND	539.82	115.85
RESERVE FUND	13,027.97	6,531.53
RENEWALS, REPLACEMENTS & EXTENSIONS FUND	3,324.69	563.00
SINKING FUND	5,443.54	1,395.38
INTEREST FUND	4,234.32	2,488.05
SERIES 1994A FUND	3,175.54	4,185.20
SERIES 97A&B FUND	60,826.95	0.00
	-----	-----
TOTAL	90,572.83	15,592.22
	=====	=====

GREATER OUACHITA WATER COMPANY  
COMPARATIVE STATISTICS

	AUGUST 31 1998	AUGUST 31 1997	AUGUST 31 1996	AUGUST 31 1995	AUGUST 31 1994
Total number of water customers at end of year	14,514	12,863	12,680	12,506	12,327
Average monthly consumption per water customer	8.1 M gal.	8.2 M gal.	8.2 M gal.	7.7 M gal.	7.6 M gal.
average monthly bill per water customer	\$17.02	\$16.06	\$16.82	\$16.07	\$15.92
Total number of sewer customers at end of year	2,339.00	2,194	2,147	1,980	1,977
Average monthly bill per sewer customer	\$16.31	\$15.02	\$15.14	\$15.03	\$15.06

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

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

We conducted our audit in accordance with general 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.

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 1997 financial statements.

As noted in note F of the notes to financial statements of the reports ended August 31, 1998 and 1997, 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 \$6,000.00 fine was levied on April 5, 1990, 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 1997 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and this report does not affect our report dated November 30, 1998, on those 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 Webb

November 30, 1998

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

We conducted our audit in accordance with general 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 Ouachita Water Company for the years ended August 31, 1998, and 1997, 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 Ouachita 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 limitation in any internal control structure, errors or irregularities may nevertheless occur and not be detected. 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. Surplus
  
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 30, 1998