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GREATER OUACHITA WATER COMPANY  
MONROE, LOUISIANA

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FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
FOR THE YEAR ENDED  
AUGUST 31, 2008

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

Release Date 1/21/09

GREATER OUACHITA WATER COMPANY

AUGUST 31, 2008

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- Accounting & Auditing
  - HUD Audits
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- Business & Financial Planning
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- Bookkeeping & Payroll Services

December 12, 2008

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Greater Ouachita Water Company (a nonprofit organization) as of August 31, 2008, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Ouachita Water Company, as of August 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

August 31, 2008, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2008 on our consideration of Greater Ouachita Water Company's internal control structure and its compliance with laws, regulations, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
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December 12, 2008

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

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

We have audited the financial statements of Greater Ouachita Water Company (a nonprofit organization) as of and for the year ended August 31, 2008, and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Greater Ouachita Water Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greater Ouachita Water Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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

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

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2008

ASSETS

PLANT AND EQUIPMENT

Cost of Systems	40,325,085	
Accumulated Depreciation	(13,432,230)	

<u>NET PLANT AND EQUIPMENT</u>		26,892,855
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INVESTMENTS - CURRENT

Revenue Fund	78,000	
Interest Fund	226,035	
Reserve Fund	260,000	
Renewals, Replacements and Extensions Fund	107,218	
Sinking Fund	307,083	
Series 2003 Bonds Fund	33,629	
Mandatory Retirement Fund	<u>3,954</u>	

<u>TOTAL INVESTMENTS - CURRENT</u>		1,015,919
------------------------------------	--	-----------

CURRENT ASSETS

General Fund Cash	213,776	
Accounts Receivable - Customers (Net)	1,191,896	
Prepaid Expense	<u>41,392</u>	

<u>TOTAL CURRENT ASSETS</u>		1,447,064
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DEFERRED CHARGES

Unamortized Bond Issue Expense (Note B)	<u>76,092</u>	
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<u>TOTAL DEFERRED CHARGES</u>		<u>76,092</u>
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<u>TOTAL ASSETS</u>		<u>29,431,930</u>
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The accompanying notes are an integral part of these financial statements.

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AUGUST 31, 2008

LIABILITIES

<u>LONG-TERM DEBT (NOTE D)</u>		
Bonds Payable - Series 1994A	840,000	
Bonds Payable - Series 97A&B	2,595,000	
Bonds Payable - Series 2003	8,760,000	
Less: Current Maturities of Long-Term Debt	( 335,000)	
<u>TOTAL LONG-TERM DEBT</u>		11,860,000
 <u>FUNDED LIABILITIES</u>		
Interest Payable	<u>271,243</u>	
<u>TOTAL FUNDED LIABILITIES</u>		271,243
 <u>CURRENT LIABILITIES</u>		
Accounts Payable - Trade	981,042	
Accounts Payable - West Ouachita Sewer	273,075	
Accounts Payable - Other Sewer	48,100	
Current Maturities of Long-Term Debt	335,000	
Payroll Taxes Payable	795	
Sales Taxes Payable	2,476	
Accrued Insurance	19,411	
Line of Credit - JP Morgan Chase	5,909,653	
Accrued Interest on Line of Credit	<u>18,816</u>	
<u>TOTAL CURRENT LIABILITIES</u>		7,588,368
 <u>DEFERRED LIABILITIES</u>		
Customer Meter Deposits	<u>553,870</u>	
<u>TOTAL DEFERRED LIABILITIES</u>		<u>553,870</u>
<u>TOTAL LIABILITIES</u>		20,273,481
 <u>NET ASSETS</u>		
 <u>NET ASSETS (SURPLUS)</u>		<u>9,158,449</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>29,431,930</u>

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



GREATER OUACHITA WATER COMPANY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2008

<u>OPERATING REVENUE</u>		
Charges for Services	6,107,425	
Forfeited Discounts	114,871	
Reconnect Charges	94,650	
Sewer Inspection Fees	480	
Water Service Charges	95,100	
Tapping Fees	<u>131,760</u>	
<u>TOTAL OPERATING REVENUE</u>		6,544,286
<u>COST OF SALES</u>		
Water Purchased	1,164,892	
Water and Sewer Taps	<u>120,555</u>	
<u>TOTAL COST OF SALES</u>		<u>1,285,447</u>
<u>GROSS PROFIT</u>		5,258,839
<u>FUNCTIONAL EXPENSES</u>		
Operating Expenses	5,645,371	
Administrative Expenses	<u>443,113</u>	
<u>TOTAL FUNCTIONAL EXPENSES</u>		<u>6,088,484</u>
<u>NET OPERATING PROFIT (LOSS)</u>		( 829,645)
<u>OTHER REVENUES</u>		
Interest	18,370	
Sewer Maintenance Agreement	113,705	
Safe Drinking Water Fees Program	14,026	
Damage Claims	-	
Miscellaneous	<u>70,093</u>	
<u>TOTAL OTHER REVENUES</u>		<u>216,194</u>
<u>NET INCREASE (DECREASE) IN NET ASSETS</u>		( 613,451)
<u>NET ASSETS AT BEGINNING OF YEAR</u>		<u>9,771,900</u>
<u>NET ASSETS AT END OF YEAR</u>		<u>9,158,449</u>

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

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2008

	ADMINISTRATIVE EXPENSES	OPERATING EXPENSES	TOTAL
Operating Contract	-	1,846,456	1,846,456
Power	-	719,169	719,169
Maintenance	-	490,297	490,297
Chemicals	-	154,253	154,253
Testing	-	40,365	40,365
Water Used in Sewer Plant	-	11,776	11,776
Service and Franchise Fees	-	13,526	13,526
Right of Way	-	44,646	44,646
Accounting	15,847	-	15,847
Advertising	-	-	-0-
Bank Charges	21,199	-	21,199
Dues and Subscriptions	832	-	832
Engineering Fees	-	65,869	65,869
Inspection and Supervision Fee	11,256	-	11,256
Insurance	65,230	-	65,230
Interest	-	785,187	785,187
Legal and Administrative	187,640	-	187,640
Miscellaneous	10,647	-	10,647
Office Expenses	24,407	-	24,407
Postage	11,992	-	11,992
Rent	1,080	-	1,080
Salaries	62,370	-	62,370
Taxes and Licenses	4,779	7,435	12,214
Telephone	5,004	-	5,004
Travel	430	-	430
Trustee Fees	6,000	-	6,000
Provisions for Bad Debts	-	63,080	63,080
Interest Paid on Customer Accounts	-	25,987	25,987
Pension Expense	14,400	-	14,400
Amortization	-	18,825	18,825
Depreciation	-	1,358,500	1,358,500
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>443,113</u>	<u>5,645,371</u>	<u>6,088,484</u>

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

GREATER OUACHITA WATER COMPANY  
STATEMENT OF CASH FLOWS  
AUGUST 31, 2008

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets		(613,451)
Noncash Items Included in Net Income		
Amortization of Bond Issue Expense		18,825
Depreciation		1,358,500
Changes in:		
Accounts Receivable	( 12,834)	
Prepaid Expenses	( 4,645)	
Interest Payable	( 8,302)	
Accounts Payable - Trade	176,155	
Accounts Payable - Sewers	( 3,218)	
Payroll Taxes	-	
Sales Taxes	533	
Accrued Insurance	<u>29</u>	
Total Adjustments		<u>147,718</u>
<u>NET CASH PROVIDED BY (USED BY)</u>		
<u>OPERATING ACTIVITIES</u>		<u>911,592</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Plant and Equipment	(3,388,862)	
Investments in Special Funds	<u>( 25,031)</u>	
<u>NET CASH PROVIDED BY (USED BY)</u>		
<u>INVESTING ACTIVITIES</u>		<u>(3,413,893)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Customer Meter Deposits	16,679	
Redemption of Bonds Payable	( 320,000)	
Proceeds from Line of Credit	<u>2,784,567</u>	
<u>NET CASH PROVIDED BY (USED BY)</u>		
<u>FINANCING ACTIVITIES</u>		<u>2,481,246</u>
<u>NET INCREASE (DECREASE) IN CASH</u>		( 21,055)
<u>CASH AT BEGINNING OF YEAR</u>		<u>234,831</u>
<u>CASH AT END OF YEAR</u>		<u><u>213,776</u></u>
Interest Paid During the Year was \$793,489		
Income Taxes Paid During the Year were \$-0-		

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008

NOTE A - HISTORY AND ORGANIZATION

The Greater Ouachita Water Company was incorporated May 29, 1963, under the laws of the State of Louisiana, as a nonprofit organization. The Company was organized to consolidate various water companies operating in Ouachita Parish (Ouachita Parish Police Jury), a political subdivision of the State of Louisiana, into a single company in order to provide better service to the area residents.

By a contract dated June 12, 1963, between the Greater Ouachita Water Company and the Parish of Ouachita, the Company agreed to acquire and construct a waterworks, sewerage and natural gas system within the Parish. Under terms of the contract, the Parish recognizes the Company's title to the system until all indebtedness of the Company, together with accrued interest thereon, incurred by the Company in the financing of the purchase, extension and improvement of the Company is paid in full. When all such indebtedness of the Company is paid in full, all rights, title and interest of the Company and the system shall vest in the Parish.

An indenture of Mortgage, dated September 1, 1964, was made by and between the Greater Ouachita Water Company and the First National Bank of Commerce in New Orleans, now J.P. Morgan, a national banking association having an office in New Orleans, Louisiana, as trustee. Supplemental Indentures of Mortgage have been made covering additions to the system.

Revenue bonds were issued in five series. Proceeds of the first series (Series 1964) were received on September 23, 1964, and the first purchase of systems was made. Proceeds of the second series (Series 1965) were received on April 12, 1965, and additional properties were added to the system. Proceeds of the third series (Series 1994A) were received on March 16, 1994, and of the fourth series (Series 97A&B) were received on December 11, 1997. Proceeds of the fifth series (Series 2003) were received on August 7, 2003.

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 (CONTINUED)  
AUGUST 31, 2008

NOTE A - HISTORY AND ORGANIZATION (Continued)

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	20,790
Robert E. Bentz, President	16,892
Wood T. Sparks, Secretary-Treasurer	<u>19,491</u>
<u>Total</u>	<u>57,173</u>

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Company uses the accrual method of accounting.

Depreciation

Depreciation was computed using the straight-line method in amounts sufficient to amortize the cost of the depreciable assets over their estimated useful lives. The estimated useful lives used in computing depreciation are:

Cost of System	25 to 50 Years
Various Equipment	5 to 20 Years

Special Funds

The Indentures of Mortgage requires the Company twice each month to transfer from the general or operating bank accounts all monies in excess of a minimum amount that is shown by the annual budget to be necessary for operating expenses for the current fiscal year to the Trustee for credit to the 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, 2008, the balance in the Interest Fund was \$226,035. Interest payable at August 31, 2008 was \$271,243.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Reserve Fund until an amount equal to 100% of the maximum annual interest requirements on all outstanding bonds is accumulated or restored. On August 31, 2008, the balance in the Reserve Fund was \$260,000.
3. Renewals, Replacements and Extensions Fund until \$250,000 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 \$107,218.
4. Sinking Fund, an amount beginning September 15, 1998, 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:

<u>Due Date</u>	<u>Amount Due</u>
August 15, 1969 - 2007	4,770,000
August 15, 2008	<u>335,000</u>
<u>Total</u>	<u>5,105,000</u>

The annual amount due on August 15, 2009 will be \$335,000.

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, 2008, the balance in the Mandatory Retirement Fund was \$3,954.

Deferred Charges and Amortization

Discounts on bonds issued by the Company are being amortized over the term of the bonds. Shown below is an analysis of unamortized bond discounts.

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charges and Amortization (Continued)

Total Cost at August 31, 2006		327,116
Less: Prior Year Amortization	(232,199)	
Less: Current Year Amortization	<u>( 18,825)</u>	
Total Amortization		<u>(251,024)</u>
Balance at August 31, 2008		<u>76,092</u>

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts of \$5,986. Management believes that accounts receivable are substantially collectible and requires customers to provide meter deposits. Accounts are reviewed monthly, and management determines which accounts are not collectible. Accounts receivable also includes unbilled revenues of \$423,191, which consist of revenues earned but not billed.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Company, a nonprofit corporation, is exempt from federal and state income taxes under Internal Revenue Code 501(a). Accordingly, no provision for income taxes has been made in the financial statements.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expenses

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended August 31, 2008 were immaterial.

NOTE C - PLANT AND EQUIPMENT

Plant and equipment is stated at the acquisition costs of the assets of the company, with the exception of the systems of Lakeview Utilities, Inc., North Louisiana Production Corporation, and B & W Utilities, Inc., which were contributed by their owners and are stated at their appraised value. Maintenance and repairs are charged to operations currently and major renewals and betterments are capitalized. Additions to the system during the year ended August 31, 2008, totaled \$3,388,862. Shown below is an analysis of the cost of the system by expenditures from various funds:

	Balance <u>08/31/07</u>	During <u>Year</u>	Balance <u>08/31/08</u>
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bond Proceeds Series 1965	907,211	-	907,211
General Fund	21,122,816	3,328,455	24,451,271
Renewals, Replacements and Extensions Fund	3,272,892	-	3,272,892
Improvements Fund	6,013,605	60,407	6,074,012
Revenue Fund	35,016	-	35,016
1994A Fund	1,670,072	-	1,670,072
97A&B Fund			
Contributions	1,911,211	-	1,911,211
Lakeview Utilities, Inc.			
Water and Sewer System	196,000	-	196,000
North Louisiana Production Corp.			
Water System	71,800	-	71,800
B & W Utilities, Inc.			
Water System	<u>44,658</u>	-	<u>44,658</u>
	37,167,489	3,388,862	40,556,351
Less: Retirements			
Gas System Transferred	( 231,266)	-	( 231,266)
<u>Total</u>	<u>36,936,223</u>	<u>3,388,862</u>	<u>40,325,085</u>



GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE C - PLANT AND EQUIPMENT (Continued)

The details of plant and equipment are as follows:

Water Mains and Extensions	17,330,149
Water Service Lines	1,355,077
Water Meters	843,151
Water Wells	7,351,078
Water Chlorine Equipment	183,060
Meter Stations	170,637
Sewer	11,753,141
Other Equipment	207,837
Land	<u>1,130,955</u>
<u>Total</u>	<u>40,325,085</u>

NOTE D - LONG-TERM DEBT

The Company originally issued bonds known as "Waterworks and Natural Gas System Revenue Bonds" in two series. Series 1964 bonds totaled \$2,270,000 and were issued September 1, 1964. They were paid off as of September 1, 1999. Series 1965 bonds totaled \$1,050,000 and were issued March 1, 1965. They were paid off as of September 1, 1999.

On March 16, 1994, the Company issued bonds known as "Greater Ouachita Water Company Waterworks and Natural Gas System bonds, Series 1994A" in the amount of \$2,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate is 6.25% through December 10, 1997, and thereafter shall bear interest at the rate determined by the Trustee on March 1, 2000, by adding 400 basis points to the five-year constant maturity treasury and multiplying such amount by the remainder of one minus the corporate tax rate applicable to Central Bank, now J. P. Morgan, Monroe, Louisiana on such date. Principal shall be payable annually on September 1 in each year commencing September 1, 1995.

On December 11, 1997, the Company issued bonds known as "Waterworks and Natural Gas Revenue Bonds of the Greater Ouachita Water Company Series 1997" in the amount of \$3,500,000. Interest is paid semi-annually on March 1 and September 1. The interest rate shall begin at 5.675%.

GREATER OUACHITA WATER COMPANY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 AUGUST 31, 2008

NOTE D - LONG-TERM DEBT (Continued)

On August 7, 2003, the Company issued bonds known as "Waterworks and Natural Gas System Revenue Bonds Series 2003" in the amount of \$9,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate shall begin at 3.950%.

During the year ended August 31, 2008, \$320,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$5,610,000. The balance of bonds outstanding at August 31, 2008 was \$12,195,000.

On December 8, 2006, the Company opened a line of credit with Chase Bank. This line of credit is unsecured with interest at Chase Prime less 1.25%. This line of credit was obtained to fund system improvements until new bonds are issued in 2008. The balance at August 31, 2008 was \$5,909,653.

Principal payments for the next five years are as follows:

Year Ended <u>August 31</u>	<u>Amount</u>
2009	6,244,653
2010	510,000
2011	535,000
2012	590,000
2013	620,000

The fair value of the long-term debt is estimated based on the current rates offered to the Company for debt of the same remaining maturities. At August 31, 2008, the fair value of the long-term debt approximates the amounts recorded in the financial statements.

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

On or about March 16, 1990, the Louisiana Department of Environmental Quality (LaDEQ) issued Compliance Order No. WC-90-014 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto,

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

and/or specified provisions of permits at the following facilities in Ouachita Parish, Louisiana: Audubon Park, Bayou Oaks, Belle Meade/Timberwood, Eastwood Estates, Garden Park, Huntington Park, Lakeview Park, Leisure Village, Lincoln Park, Pecan Bayou/Treasure Island, Royal Pines, and Shenandoah. In response thereto, Greater Ouachita Water Company made a request for hearing, which was granted.

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

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

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

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

On or about November 2, 2000, LaDEQ issued Compliance Order No. WE-C-00-0233 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Wagon Wheel Road subdivision facility. Greater Ouachita Water Company timely filed a request for hearing, which was granted and has been docketed as number 2002-6920-EQ at the Division of Administrative Law.

On or about December 11, 2001, LaDEQ issued Compliance Order No. WE-C-00-0236 to Greater Ouachita Water Company in which the agency alleged certain violations of the Louisiana Water Control Law, the regulations promulgated pursuant thereto, and/or specified provisions of the permit at the Northeast Regional facility. Greater Ouachita Water Company timely filed a request for hearing; the time limit for LaDEQ to grant the hearing has been extended pursuant to an Agreement to Enter into a Dispute Resolution Discussion. On June 29, 2004, LaDEQ issued Amended Compliance Order WE-C-00-0236A, deleting many of Greater Ouachita Water Company's objections to the original order. Greater Ouachita Water Company has timely filed a hearing request to address remaining issues.

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

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

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

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

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

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

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

The Company has requested hearings on the orders, as indicated above, and believes that it has made good faith efforts to meet its obligations with LaDEQ within the confines of its available rate structure and has been actively contesting the orders. However, in recognition of the cost and risk of litigation, but without making any admission of liability under state or federal law or regulation, Greater Ouachita Water Company offered to pay a penalty in the amount of \$20,000 in settlement of all enforcement matters identified above. LaDEQ rejected the offer, but has not yet made a counteroffer. Negotiations are ongoing and the Company hopes to reach a settlement early next year.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE F - REGULATORY COMPLIANCE - LDHH

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

NOTE G - PECK CONSTRUCTION, INC. V. GREATER OUACHITA WATER COMPANY

The Company was sued on January 24, 2008, by Peck Construction, Inc. (Peck) to recover amounts allegedly due on its contract to build the Highway 165 Regional Facility. The construction contract between the Company and Peck contains an arbitration agreement, and the lawsuit has been stayed pending arbitration. No demand for arbitration, however, has been made by Peck.

Peck contracted with the Company to build the Highway 165 Regional Facility. At the time the suit was filed, Peck had made demand on the Company for full payment of the original contract amount despite having not completed punchlist work. The Company has a claim against Peck for liquidating damages for Peck's failure to complete the Highway 165 Regional Facility on time in an amount of approximately \$85,000. Since that time, Peck has completed or has nearly completed work on the Highway 165 Regional Facility, though the issue of delay damages and other claims existing between the parties has not been resolved.

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE G - PECK CONSTRUCTION, INC. V. GREATER OUACHITA WATER COMPANY  
(Continued)

Management is seeking a fair resolution of the issues between the parties, including but not limited to, the Company's liquidated damages claims against Peck of approximately \$85,000, and Peck's claims for additional compensation under the contract. Peck's claims appear likely to amount to less than the amount withheld by the Company for liquidated damages. It is not likely that Peck will obtain a judgment against the Company for substantially more than the allocated contract funds which have not been paid to Peck to date, which includes amounts withheld for liquidated damages.

NOTE H - LOUISIANA PUBLIC SERVICE COMMISSION RATE INCREASE

The Company previously obtained a rate increase in Docket No. U-25962 pursuant to a joint stipulation, on February 22, 2002. Order No. U-25962 (the Order) allowed the Company to increase its rates in three Phases. Phase I of the Order provided for an immediate increase in monthly water and sewer service rates. Phase II allowed the Company to further increase its rates after certain capital improvements were contracted for or completed. The Order further provided that the Company could come in for a complete rate review (Phase III) once the capital improvements contemplated in the Order were completed.

The Company has completed Phase III capital improvements and filed an Application for Rate Increase on September 18, 2008, including a request for an interim rate increase. The application was published in the Commission's Official Bulletin dated September 19, 2008, and the applicable intervention period elapsed without intervention or comment.

Greater Ouachita Water Company's request for interim rate increase was considered at the October 15, 2008 LPSC Business and Executive Session. By Order dated October 31, 2008, the Commission granted an interim increase of 50% of the increase requested in the Company's Application. This interim increase is expected to generate, on an annual basis, additional revenues in excess of \$1.1 million.



GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE H - LOUISIANA PUBLIC SERVICE COMMISSION RATE INCREASE  
(Continued)

While the interim approval represents additional revenues for the Company, under the Louisiana Constitution, interim rate increases are subject to refund and require the posting of a bond by the utility. The LPSC required as a condition of the interim rate increase that the Company post a bond in the amount of \$550,000, which the Company has done. The bond amount was calculated using six months of the anticipated increase in revenues using the proposed interim rate and projected audit completion date. A potential refund liability arises in that if the LPSC ultimately denies the Company's rate increase request, or does not grant at least the 50% increase allowed on an interim basis, the Company must refund the difference between what it collected on an interim basis, and what was approved by the LPSC.

Because this matter is in the preliminary stages, it is not possible to determine the probability that the LPSC would grant a rate increase in an amount less than the interim rate increase. However, analysis by RW Beck, the Company's outside consultant, indicates that the Company is entitled to the full rates requested, and the Company intends to pursue this full increase.

NOTE I - 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, 2008 was \$14,400.

NOTE J - LAWSUITS

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

GREATER OUACHITA WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2008

NOTE K - CONCENTRATION OF RISK

The Company maintains its cash balances at institutions which are insured by the Federal Deposit Insurance Corporation up to \$100,000. At August 31, 2008, Company's uninsured cash balance was \$192,691.

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

NOTE L - RELATED PARTY TRANSACTIONS

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

R. E. Bentz, Inc., partially owned by Robert E. Bentz, director, earned \$8,616 for maintenance on the water and sewer system. At August 31, 2008, \$582 was accrued and payable for maintenance services.

Dean Morris, LLP, (of which Wood T. Sparks is Of Counsel), earned \$64,264 for legal services performed for the Company.

W. D. Carter, director, earned \$10,668 for various consulting services performed for the Company.

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. The Company has determined that fund-raising costs are not material.

ADDITIONAL INFORMATION

GREATER OUACHITA WATER COMPANY  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2008

	WATER SYSTEM	SEWER SYSTEM	TOTAL
<u>OPERATING REVENUE</u>			
Charges for Services	4,908,791	1,198,634	6,107,425
Forfeited Discounts	91,897	22,974	114,871
Reconnect Charges	94,650	-	94,650
Sewer Inspection Fees	-	480	480
Water Service Charges	95,100	-	95,100
Tapping Fees	117,300	14,460	131,760
<u>TOTAL OPERATING REVENUE</u>	<u>5,307,738</u>	<u>1,236,548</u>	<u>6,544,286</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating Contract	1,575,513	270,943	1,846,456
Power	517,244	201,925	719,169
Maintenance	311,275	179,022	490,297
Chemicals	112,588	41,665	154,253
Testing - Sewer	-	40,365	40,365
Engineering Services	49,248	16,621	65,869
Water Purchased	1,164,892	-	1,164,892
Water Used in Sewer Plant	-	11,776	11,776
Service and Franchise Fees	1,573	11,953	13,526
Right of Way	20,492	24,154	44,646
Water and Sewer Taps	106,720	13,835	120,555
<u>TOTAL DIRECT OPERATING EXPENSES</u>	<u>3,859,545</u>	<u>812,259</u>	<u>4,671,804</u>
<u>NET OPERATING INCOME</u>	1,448,193	424,289	1,872,482
<u>ADMINISTRATIVE EXPENSES</u>	<u>324,674</u>	<u>118,439</u>	<u>443,113</u>
<u>NET OPERATING PROFIT</u>	1,123,519	305,850	1,429,369
<u>OTHER INCOME</u>	<u>84,796</u>	<u>131,398</u>	<u>216,194</u>
	1,208,315	437,248	1,645,563
<u>OTHER EXPENSES</u>	<u>463,852</u>	<u>417,837</u>	<u>881,689</u>
<u>NET INCOME BEFORE AMORTIZATION AND DEPRECIATION</u>	<u>744,463</u>	<u>19,411</u>	<u>763,874</u>
<u>AMORTIZATION AND DEPRECIATION</u>			
Amortization of Bond Issue Exp. - 1994A	2,686	672	3,358
Amortization of Bond Issue Exp. - 97A&B	9,592	2,398	11,990
Amortization of Bond Issue Exp. - 2003	2,782	695	3,477
Depreciation Expense	944,377	414,123	1,358,500
<u>TOTAL AMORTIZATION AND DEPRECIATION</u>	<u>959,437</u>	<u>417,888</u>	<u>1,377,325</u>
<u>NET INCOME FOR THE YEAR</u>	<u>( 214,974 )</u>	<u>( 398,477 )</u>	<u>( 613,451 )</u>

See Auditors' Report.

GREATER OUACHITA WATER COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES - BY PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2008

	ADMINI- STRATIVE EXPENSES	WATER SYSTEM	SEWER SYSTEM	TOTAL
Operating Contract	-	1,575,513	270,943	1,846,456
Power	-	517,244	201,925	719,169
Maintenance	-	311,275	179,022	490,297
Chemicals	-	112,588	41,665	154,253
Testing	-	-	40,365	40,365
Water Used in Sewer Plants	-	-	11,776	11,776
Service & Franchise Fees	-	1,573	11,953	13,526
Right of Way	-	20,492	24,154	44,646
Accounting	15,847	-	-	15,847
Advertising	-	-	-	-0-
Bank Charges	21,199	-	-	21,199
Dues & Subscriptions	832	-	-	832
Engineering Fees	-	49,248	16,621	65,869
Inspection & Supervision Fees	11,256	-	-	11,256
Insurance	65,230	-	-	65,230
Interest	-	392,593	392,594	785,187
Legal & Administrative	187,640	-	-	187,640
Miscellaneous	10,647	-	-	10,647
Office Expenses	24,407	-	-	24,407
Postage	11,992	-	-	11,992
Rent	1,080	-	-	1,080
Salaries	62,370	-	-	62,370
Taxes & Licenses	4,779	5	7,430	12,214
Telephone	5,004	-	-	5,004
Travel	430	-	-	430
Trustee Fees	6,000	-	-	6,000
Provision for Bad Debts	-	50,464	12,616	63,080
Interest Paid on Customer				
Accounts	-	20,790	5,197	25,987
Pension Expense	14,400	-	-	14,400
Amortization	-	15,060	3,765	18,825
Depreciation	-	944,377	414,123	1,358,500
<u>TOTAL</u>	<u>443,113</u>	<u>4,011,222</u>	<u>1,634,149</u>	<u>6,088,484</u>

See Auditors' Report.

GREATER OUACHITA WATER COMPANY  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2008

	<u>WATER</u> <u>SYSTEM</u>	<u>SEWER</u> <u>SYSTEM</u>	<u>TOTAL</u>
Accounting	12,678	3,169	15,847
Bank Charges	16,959	4,240	21,199
Dues & Subscriptions	665	167	832
Inspection & Supervision Fees	9,005	2,251	11,256
Insurance	52,184	13,046	65,230
Legal & Administrative	120,895	66,745	187,640
Miscellaneous	8,518	2,129	10,647
Office Expenses	19,526	4,881	24,407
Postage	9,594	2,398	11,992
Rent	864	216	1,080
Salaries	49,896	12,474	62,370
Taxes & Licenses	3,823	956	4,779
Telephone	4,003	1,001	5,004
Travel	344	86	430
Trustee Fees	4,200	1,800	6,000
Pension Expense	<u>11,520</u>	<u>2,880</u>	<u>14,400</u>
 <u>TOTAL ADMINISTRATIVE EXPENSES</u>	 <u>324,674</u>	 <u>118,439</u>	 <u>443,113</u>

See Auditors' Report.

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GREATER OUACHITA WATER COMPANY  
CURRENT YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
AUGUST 31, 2008

INTERNAL CONTROLS

None

COMPLIANCE

None

See Auditors' Report.

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GREATER OUACHITA WATER COMPANY  
PRIOR YEAR FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS  
AUGUST 31, 2008

INTERNAL CONTROLS

There were no findings or recommendations in the prior year.

COMPLIANCE

There were no findings or recommendations in the prior year.

See Auditors' Report.

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