

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

AUGUST 31, 2009

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

Release Date 2/3/10

GREATER OUACHITA WATER COMPANY
AUGUST 31, 2009

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- Accounting & Auditing
 - HUD Audits
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- Business & Financial Planning
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 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

January 12, 2010

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, 2009, 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, 2009, 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, 2009, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2010 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.
CERTIFIED PUBLIC ACCOUNTANTS

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January 12, 2010

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, 2009, and have issued our report thereon dated January 12, 2010. 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, 2009

ASSETS

PLANT AND EQUIPMENT

Cost of Systems	43,534,749	
Accumulated Depreciation	(14,932,892)	

<u>NET PLANT AND EQUIPMENT</u>		28,601,857
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INVESTMENTS - CURRENT

Revenue Fund	-	
Interest Fund	262,374	
Reserve Fund	260,000	
Renewals, Replacements and Extensions Fund	125,000	
Sinking Fund	510,000	
Series 2003 Bonds Fund	18,646	
Mandatory Retirement Fund	16,341	

<u>TOTAL INVESTMENTS - CURRENT</u>		1,192,361
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CURRENT ASSETS

General Fund Cash	382,839	
Accounts Receivable - Customers (Net)	1,532,287	
Prepaid Expense	61,072	

<u>TOTAL CURRENT ASSETS</u>		1,976,198
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DEFERRED CHARGES

Unamortized Bond Issue Expense (Note B)	63,740	
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<u>TOTAL DEFERRED CHARGES</u>		<u>63,740</u>
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<u>TOTAL ASSETS</u>		<u>31,834,156</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, 2009

LIABILITIES

LONG-TERM DEBT (NOTE D)

Bonds Payable - Series 1994A	720,000
Bonds Payable - Series 97A&B	2,450,000
Bonds Payable - Series 2003	8,690,000
Less: Current Maturities of Long-Term Debt	(510,000)

TOTAL LONG-TERM DEBT 11,350,000

FUNDED LIABILITIES

Interest Payable	<u>262,374</u>
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TOTAL FUNDED LIABILITIES 262,374

CURRENT LIABILITIES

Accounts Payable - Trade	825,408
Accounts Payable - West Ouachita Sewer	270,321
Accounts Payable - Other Sewer	47,010
Current Maturities of Long-Term Debt	510,000
Payroll Taxes Payable	1,011
Sales Taxes Payable	-
Accrued Insurance	48,606
Line of Credit - JP Morgan Chase	8,773,653
Accrued Interest on Line of Credit	<u>12,551</u>

TOTAL CURRENT LIABILITIES 10,488,560

DEFERRED LIABILITIES

Customer Meter Deposits	<u>566,591</u>
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TOTAL DEFERRED LIABILITIES 566,591

TOTAL LIABILITIES 22,667,525

NET ASSETS

NET ASSETS (SURPLUS) 9,166,631

TOTAL LIABILITIES AND NET ASSETS 31,834,156

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

<u>OPERATING REVENUE</u>		
Charges for Services	7,625,092	
Forfeited Discounts	129,450	
Reconnect Charges	113,250	
Sewer Inspection Fees	270	
Water Service Charges	116,714	
Tapping Fees	<u>87,388</u>	
<u>TOTAL OPERATING REVENUE</u>		8,072,164
<u>COST OF SALES</u>		
Water Purchased	1,314,702	
Water and Sewer Taps	<u>79,915</u>	
<u>TOTAL COST OF SALES</u>		<u>1,394,617</u>
<u>GROSS PROFIT</u>		6,677,547
<u>FUNCTIONAL EXPENSES</u>		
Operating Expenses	6,166,503	
Administrative Expenses	<u>634,357</u>	
<u>TOTAL FUNCTIONAL EXPENSES</u>		<u>6,800,860</u>
<u>NET OPERATING PROFIT (LOSS)</u>		(123,313)
<u>OTHER REVENUES</u>		
Interest	2,760	
Sewer Maintenance Agreement	44,874	
Safe Drinking Water Fees Program	-	
Miscellaneous	<u>83,861</u>	
<u>TOTAL OTHER REVENUES</u>		<u>131,495</u>
<u>NET INCREASE (DECREASE) IN NET ASSETS</u>		8,182
<u>NET ASSETS AT BEGINNING OF YEAR</u>		<u>9,158,449</u>
<u>NET ASSETS AT END OF YEAR</u>		<u>9,166,631</u>

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

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GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009

	ADMINISTRATIVE EXPENSES	OPERATING EXPENSES	TOTAL
Operating Contract	-	2,129,024	2,129,024
Power	-	681,363	681,363
Maintenance	-	680,344	680,344
Chemicals	-	205,434	205,434
Testing	-	40,964	40,964
Water Used in Sewer Plant	-	3,823	3,823
Service and Franchise Fees	-	17,887	17,887
Right of Way	-	44,678	44,678
Accounting	18,637	-	18,637
Advertising	-	-	-0-
Bank Charges	31,998	-	31,998
Dues and Subscriptions	1,250	-	1,250
Engineering Fees	-	44,385	44,385
Inspection and Supervision Fee	11,626	-	11,626
Insurance	73,978	-	73,978
Interest	-	691,694	691,694
Legal and Administrative	330,552	-	330,552
Miscellaneous	11,420	-	11,420
Office Expenses	33,884	-	33,884
Postage	7,421	-	7,421
Rent	1,580	-	1,580
Salaries	72,225	-	72,225
Taxes and Licenses	5,783	20,499	26,282
Telephone	6,471	-	6,471
Travel	5,307	-	5,307
Trustee Fees	3,600	-	3,600
Provisions for Bad Debts	-	65,675	65,675
Interest Paid on Customer Accounts	-	22,912	22,912
Pension Expense	18,625	-	18,625
Amortization	-	17,159	17,159
Depreciation	-	1,500,662	1,500,662
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>634,357</u>	<u>6,166,503</u>	<u>6,800,860</u>

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF CASH FLOWS
AUGUST 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets		8,182
Noncash Items Included in Net Income		
Amortization of Bond Issue Expense		17,159
Depreciation		1,500,662
Changes in:		
Accounts Receivable	(340,390)	
Prepaid Expenses	(19,680)	
Interest Payable	(15,134)	
Accounts Payable - Trade	(155,634)	
Accounts Payable - Sewers	(3,844)	
Payroll Taxes	216	
Sales Taxes	(2,476)	
Accrued Insurance	<u>29,195</u>	
Total Adjustments		(507,747)

NET CASH PROVIDED BY (USED BY)
OPERATING ACTIVITIES

1,018,256

CASH FLOWS FROM INVESTING ACTIVITIES

Plant and Equipment		(3,209,664)
Investments in Special Funds		(176,442)

NET CASH PROVIDED BY (USED BY)
INVESTING ACTIVITIES

(3,386,106)

CASH FLOWS FROM FINANCING ACTIVITIES

Customer Meter Deposits		12,721
Redemption of Bonds Payable	(335,000)	
Proceeds from Line of Credit		2,864,000
Bond Costs	<u>(4,808)</u>	

NET CASH PROVIDED BY (USED BY)
FINANCING ACTIVITIES

2,536,913

NET INCREASE (DECREASE) IN CASH

169,063

CASH AT BEGINNING OF YEAR

213,776

CASH AT END OF YEAR

382,839

Interest Paid During the Year was \$706,828
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, 2009

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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

NOTE A - HISTORY AND ORGANIZATION: (Continued)

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

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

W. D. Carter, Chairman of the Board	22,306
Robert E. Bentz, President	17,650
Wood T. Sparks, Secretary-Treasurer	<u>27,071</u>
<u>Total</u>	<u>67,027</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:

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2009

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

Special Funds (Continued)

1. Interest Fund until at least six months' interest on all outstanding bonds is accumulated or restored. On August 31, 2009, the balance in the Interest Fund was \$262,374. Interest payable at August 31, 2009 was \$262,374.
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, 2009, 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 \$125,000.
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 - 2008	5,105,000
August 15, 2009	<u>510,000</u>
<u>Total</u>	<u>5,615,000</u>

The annual amount due on August 15, 2010 will be \$510,000.

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, 2009, the balance in the Mandatory Retirement Fund was \$16,341.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

Deferred Charges and Amortization

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

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

Total Cost at August 31, 2006		327,116
Add: Bond Costs Paid	4,808	
Less: Prior Year Amortization	(251,025)	
Less: Current Year Amortization	(17,159)	
Total Amortization		(263,376)
Balance at August 31, 2009		<u>63,740</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 \$7,696. 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 \$622,716, 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.

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2009

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

Income Taxes

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

Advertising Expenses

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended August 31, 2009 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, 2009, totaled \$3,209,664. Shown below is an analysis of the cost of the system by expenditures from various funds:

	<u>Balance 08/31/08</u>	<u>During Year</u>	<u>Balance 08/31/09</u>
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bond Proceeds Series 1965	907,211	-	907,211
General Fund	24,451,271	3,194,530	27,645,801
Renewals, Replacements and Extensions Fund	3,272,892	-	3,272,892
Improvements Fund	6,074,012	15,134	6,089,146
Revenue Fund	35,016	-	35,016
1994A Fund	1,670,072	-	1,670,072
97A&B Fund Contributions	1,911,211	-	1,911,211
Lakeview Utilities, Inc. Water and Sewer System	196,000	-	196,000
North Louisiana Production Corp. Water System	71,800	-	71,800
B & W Utilities, Inc. Water System	<u>44,658</u>	<u>-</u>	<u>44,658</u>
	40,556,351	3,209,664	43,766,015
Less: Retirements Gas System Transferred	<u>(231,266)</u>	<u>-</u>	<u>(231,266)</u>
<u>Total</u>	<u>40,325,085</u>	<u>3,209,664</u>	<u>43,534,749</u>

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

NOTE C - PLANT AND EQUIPMENT: (Continued)

The details of plant and equipment are as follows:

Water Mains and Extensions	17,871,791
Water Service Lines	1,528,237
Water Meters	873,583
Water Wells	7,551,473
Water Chlorine Equipment	183,060
Meter Stations	170,637
Sewer	14,017,176
Other Equipment	207,837
Land	<u>1,130,955</u>
<u>Total</u>	<u>43,534,749</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, 2009

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, 2009, \$335,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$5,945,000. The balance of bonds outstanding at August 31, 2009 was \$11,860,000.

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 2009. The balance at August 31, 2009 was \$8,773,653.

Principal payments for the next five years are as follows:

Year Ended	
<u>August 31</u>	<u>Amount</u>
2010	9,283,653
2011	535,000
2012	590,000
2013	620,000
2014	650,000

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, 2009, 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

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

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

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

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

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

same, but did timely submit written comments concerning the alleged violations, the corrective or remedial actions taken to mitigate any damages resulting from the alleged violations, and to demonstrate why the assessment of a penalty would be inappropriate in that case.

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

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

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

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

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

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

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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

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

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

Greater Ouachita Water Company has also constructed a third regional facility, known as the Highway 165 Regional facility, to treat sewerage from the following facilities: Pecan Bayou, Treasure Island, Leisure Village, Frenchmen's Bend, Lake Park Subdivision, and Thatcher Plantation Subdivision. These facilities 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

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

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 has accepted the offer. The settlement documents are currently being prepared and must thereafter be approved by the Louisiana Attorney General.

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) for amounts claimed by Peck to be due on its contract with the Company 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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

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

On March 31, 2009, Peck made an arbitration demand against the Company, seeking \$90,691 from the Company as the balance due Peck under the contract, and for additional damages in an unspecified amount for changes to the work allegedly ordered by the Company, delays to Peck caused allegedly by the conduct of the project designer, attorney's fees, interest, and costs.

The Company has denied Peck's claims and asserted a counterclaim against Peck for declaratory judgment that it is entitled to retain the amount of \$80,700 as liquidated damages under the contract for Peck's unexcused delay in completing the project. The Company has also asserted in its counterclaim against Peck a claim for damages in an unspecified amount for Peck's failure to perform warranty work.

Last, since Peck has alleged that all or nearly all of the damages it is claiming from the Company are due to the fault or negligence of the project designer, S.E. Huey, the Company has filed a third party demand against S.E. Huey for contribution and/or indemnity in the amount of any judgment rendered in favor of Peck.

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 \$80,700, and Peck's claims for additional compensation under the contract. 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 - 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, 2009 was \$18,625.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2009

NOTE I - LAWSUITS:

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

NOTE J - CONCENTRATION OF RISK:

The Company maintains its cash balances at institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2009, Company's uninsured cash balance was \$82,204.

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 K - 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 \$9,782 for maintenance on the water and sewer system. At August 31, 2009, \$661 was accrued and payable for maintenance services.

Dean Morris, LLP, (of which Wood T. Sparks is Of Counsel), earned \$145,032 for legal services performed for the Company.

W. D. Carter, director, earned \$11,420 for various consulting services performed for the Company.

NOTE L - 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

SCHEDULE I

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
<u>OPERATING REVENUE</u>			
Charges for Services	6,253,546	1,371,546	7,625,092
Forfeited Discounts	103,560	25,890	129,450
Reconnect Charges	113,250	-	113,250
Sewer Inspection Fees	-	270	270
Water Service Charges	116,714	-	116,714
Tapping Fees	<u>76,613</u>	<u>10,775</u>	<u>87,388</u>
<u>TOTAL OPERATING REVENUE</u>	<u>6,663,683</u>	<u>1,408,481</u>	<u>8,072,164</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating Contract	1,816,516	312,508	2,129,024
Power	457,845	223,518	681,363
Maintenance	437,888	242,456	680,344
Chemicals	166,147	39,287	205,434
Testing - Sewer	-	40,964	40,964
Engineering Services	32,865	11,520	44,385
Water Purchased	1,314,702	-	1,314,702
Water Used in Sewer Plant	-	3,823	3,823
Service and Franchise Fees	-	17,887	17,887
Right of Way	36,474	8,204	44,678
Water and Sewer Taps	<u>69,389</u>	<u>10,526</u>	<u>79,915</u>
<u>TOTAL DIRECT OPERATING EXPENSES</u>	<u>4,331,826</u>	<u>910,693</u>	<u>5,242,519</u>
<u>NET OPERATING INCOME</u>	2,331,857	497,788	2,829,645
<u>ADMINISTRATIVE EXPENSES</u>			
	<u>444,624</u>	<u>189,733</u>	<u>634,357</u>
<u>NET OPERATING PROFIT</u>	1,887,233	308,055	2,195,288
<u>OTHER INCOME</u>			
	<u>69,297</u>	<u>62,198</u>	<u>131,495</u>
	1,956,530	370,253	2,326,783
<u>OTHER EXPENSES</u>			
	<u>417,422</u>	<u>383,358</u>	<u>800,780</u>
<u>NET INCOME BEFORE AMORTIZATION AND DEPRECIATION</u>	<u>1,539,108</u>	<u>(13,105)</u>	<u>1,526,003</u>
<u>AMORTIZATION AND DEPRECIATION</u>			
Amortization of Bond Issue Exp. - 1994A	1,354	338	1,692
Amortization of Bond Issue Exp. - 97A&B	9,592	2,398	11,990
Amortization of Bond Issue Exp. - 2003	2,781	696	3,477
Depreciation Expense	<u>997,035</u>	<u>503,627</u>	<u>1,500,662</u>
<u>TOTAL AMORTIZATION AND DEPRECIATION</u>	<u>1,010,762</u>	<u>507,059</u>	<u>1,517,821</u>
<u>NET INCOME FOR THE YEAR</u>	<u>528,346</u>	<u>(520,164)</u>	<u>8,182</u>

See Auditors' Report.

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GREATER OUACHITA WATER COMPANY
 STATEMENT OF FUNCTIONAL EXPENSES - BY PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2009

	ADMINI- STRATIVE EXPENSES	WATER SYSTEM	SEWER SYSTEM	TOTAL
Operating Contract	-	1,816,516	312,508	2,129,024
Power	-	457,845	223,518	681,363
Maintenance	-	437,888	242,456	680,344
Chemicals	-	166,147	39,287	205,434
Testing	-	-	40,964	40,964
Water Used in Sewer Plants	-	-	3,823	3,823
Service & Franchise Fees	-	-	17,887	17,887
Right of Way	-	36,474	8,204	44,678
Accounting	18,637	-	-	18,637
Advertising	-	-	-	-0-
Bank Charges	31,998	-	-	31,998
Dues & Subscriptions	1,250	-	-	1,250
Engineering Fees	-	32,865	11,520	44,385
Inspection & Supervision Fees	11,626	-	-	11,626
Insurance	73,978	-	-	73,978
Interest	-	345,847	345,847	691,694
Legal & Administrative	330,552	-	-	330,552
Miscellaneous	11,420	-	-	11,420
Office Expenses	33,884	-	-	33,884
Postage	7,421	-	-	7,421
Rent	1,580	-	-	1,580
Salaries	72,225	-	-	72,225
Taxes & Licenses	5,783	705	19,794	26,282
Telephone	6,471	-	-	6,471
Travel	5,307	-	-	5,307
Trustee Fees	3,600	-	-	3,600
Provision for Bad Debts	-	52,540	13,135	65,675
Interest Paid on Customer Accounts	-	18,330	4,582	22,912
Pension Expense	18,625	-	-	18,625
Amortization	-	13,727	3,432	17,159
Depreciation	-	997,035	503,627	1,500,662
<u>TOTAL</u>	<u>634,357</u>	<u>4,375,919</u>	<u>1,790,584</u>	<u>6,800,860</u>

See Auditors' Report.

GREATER OUACHITA WATER COMPANY
 STATEMENT OF ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2009

	WATER SYSTEM	SEWER SYSTEM	TOTAL
Accounting	14,910	3,727	18,637
Bank Charges	25,598	6,400	31,998
Dues & Subscriptions	1,000	250	1,250
Inspection & Supervision Fees	9,301	2,325	11,626
Insurance	59,182	14,796	73,978
Legal & Administrative	206,765	123,787	330,552
Miscellaneous	9,136	2,284	11,420
Office Expenses	27,107	6,777	33,884
Postage	5,937	1,484	7,421
Rent	1,264	316	1,580
Salaries	53,622	18,603	72,225
Taxes & Licenses	4,279	1,504	5,783
Telephone	5,177	1,294	6,471
Travel	4,246	1,061	5,307
Trustee Fees	2,200	1,400	3,600
Pension Expense	14,900	3,725	18,625
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>444,624</u>	<u>189,733</u>	<u>634,357</u>

See Auditors' Report.

GREATER OUACHITA WATER COMPANY
CURRENT YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2009

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, 2009

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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