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GREATER OUACHITA WATER COMPANY MONROE, LOUISIANA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997

INDEPENDENT AUDITORS' REPORT

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, enlify and other sopropriate public officials. The report is available for public importion at the Baton Brogs office of the togistative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date HART 1999

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WEBB AND WEBB CERTIFIED PUBLIC ACCOUNTANTS MONROE, LOUISIANA

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

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WEBB AND WEBB

Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Greater Ouachita Water Company, as of August 31, 1998, and 1997, and the related statements of income, surplus, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these

financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Ouachita Water Company, as of August 31, 1998 and 1997, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note F, Greater Ouachita Water Company was alleged by LaDEQ to have violated certain provisions of the Louisiana Water Control law. The financial statements were adjusted on August 31, 1990, to reflect the action of the State of Louisiana for these instances of noncompliance

WEBB AND WEBB

Monroe, Louisiana November 30, 1998

GREATER OUACHITA WATER COMPANY BALANCE SHEET

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ASSETS

	AUGUST 31	
	1998	1997
DT NICH C POLLT DATAM		
PLANT & EQUIPMENT	10 004 064 60	17 400 040 05
Cost of Systems	18,924,064.68	17,493,812.95
Accumulated Depreciation	5,777,826.26	5,246,392.26
Net Plant & Equipment	13,146,238.42	12,247,420.69
SPECIAL FUNDS		
Revenue Fund	440.02	826.85
Interest Fund	129,958.34	71,825.66
Reserve Fund	320,753.74	138,810.67
Renewals, Replacements & Extensions Fund	97,915.13	12,141.90
Sinking Fund	265,531.34	342,927.91
Series 97A&B Improvement Account	1,563,893.07	0.00
Series 1994A Improvement Fund	13,841.78	83,246.25
Redemptions Payment Account	0.01	0.01
Total Special Funds	2,392,333.43	649,779.25
CURRENT ASSETS		
General Fund Cash	199,043.74	68,250.56
Accounts Receivable - Customers	602,713.06	529,276.49
Accounts Receivable - Returned Checks	7,170.10	4,879.56
Accounts Receivable - Other	5,722.82	1,062.00
	615,605.98	535,218.05
Allowance for Bad Accounts	3,158.29	2,821.98
	612,447.69	532,396.07
	·	5627050101
Prepaid Expense	26,427.17	19,428.94
Total Current Assets	837,918.60	620,075.57
DEFERRED CHARGES		
Unamortized Bond Discount	1,912.24	3,824.92
Unamortized Bond Issue Expense	178,993.43	50,292.75
Total Deferred Charges	180,905.67	54,117.67
OTHER ASSETS		
Deposits	12,500.00	12,500.00
TOTAL ASSETS	16,569,896.12	13,583,893.18
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SEE NOTES TO FINANCIAL STATEMENTS

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GREATER OUACHITA WATER COMPANY BALANCE SHEET

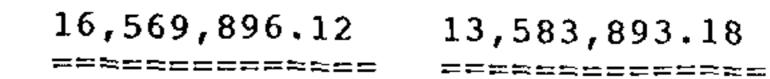
LIABILITIES

	AUGUST 31	
	1998	1997
LONG-TERM DEBT Bonds Payable - Series 1964 & 1965 Bonds Payable - Series 1994A Bonds Payable - Series 97A&B Improvements	424,250.00 1,645,000.00 3,500,000.00	629,250.00 1,770,000.00 0.00
Total Long-Term Debt	5,569,250.00	2,399,250.00
FUNDED LIABILITIES Interest Payable	156,415.00	71,043.75
CURRENT LIABILITIES Accounts Payable - Trade Accounts Payable - West Ouachita Sewer Accounts Payable - Other Sewer Payroll Taxes Payable Sales Taxes Payable Notes Payable - Central Bank	239,829.02 209,613.06 70,981.77 430.75 9,148.00 725,000.00	408,525.27 177,365.48 64,680.34 372.89 7,498.00 1,088,000.00
Total Current Liabilities	1,255,002.60	1,746,441.98
DEFERRED LIABILITIES Customer Meter Deposits	391,990.50	337,428.00
TOTAL LIABILITIES	7,372,658.10	4,554,163.73

SURPLUS

CONTRIBUTION IN AID OF CONSTRUCTION (Non-Refundable)	2,148,800.41	2,042,510.80
UNAPPROPRIATED SURPLUS	7,048,437.61	6,987,218.65
	9,197,238.02	9,029,729.45

TOTAL LIABILITIES & SURPLUS



SEE NOTES TO FINANCIAL STATEMENTS

PAGE 2

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GREATER OUACHITA WATER COMPANY STATEMENTS OF INCOME

	TOTAL SYSTEM	
	YEAR ENDED AUGUST 31	
	1998	1997
OPERATING REVENUE		
Revenue	3,146,374.69	2 002 102 06
Forfeited Discounts	74,060.31	2,883,482.86 67,248.64
Reconnect Charges	41,888.00	40,589.00
Sewer Inspection Fees	684.00	655.00
Total Operating Revenue	3,263,007.00	2,991,975.50
DIRECT OPERATING EXPENSES		
Operating Contract	860,024.53	814,810.25
Power	387,957.70	374,657.25
Maintenance	210,215.28	192,890.88
Chemicals - Sewer	39,576.45	77,351.64
Testing - Sewer	27,994.00	26,670.00
Engineering Services	27,075.20	20,100.66
Water Purchased	642,232.17	534,359.07
Water Used in Sewer Plant	936.08	1,142.79
Service & Franchis Fees	11,337.45	8,915.63
Right of Way	3,200.00	5,500.00
Total Direct Operating Expenses	2,210,548.86	2,056,398.17
NET OPERATING INCOME	1,052,458.14	935,577.33
ADMINISTRATIVE EXPENSES	196,356.94	187,827.35
NET OPERATING PROFIT	856,101.20	747,749.98
OTHER INCOME	97,036.82	22,240.27
	953,138.02	769,990.25
OTHER EXPENSES	344,626.16	217,821.05
NET INCOME BEFORE AMORTIZATION & DEP'N.	608,511.86	552,169.20
AMORTIZATION & DEPRECIATION		
Amort. of Bond Discount	1,912.68	1,912.68
Amort. of Bond Issue Exp1964 & 65	1,596.36	1,596.36
Amort. of Bond Issue Exp1994A	3,357.60	3,357.60
Amort. Of Bond Issue Exp97A&B	8,992.26	0.00
Depreciation Expense	531,434.00	480,747.00
Total Amortization & Depreciation	547,292.90	487,613.64
NET INCOME FOR THE YEAR	61,218.96	64,555.56

61,218.96 64,555.56

SEE NOTES TO FINANCIAL STATEMENTS

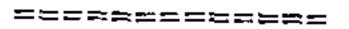
PAGE 3

GREATER OUACHITA WATER COMPANY STATEMENTS OF INCOME

	SYSTEM D AUGUST 31		SYSTEM
1998	1997	1998	D AUGUST 31 1997
2,709,760.76	2,492,495.22	436,613.93	390,987.64
74,060.31	67,248.64	0.00	0.0
41,888.00	40,589.00	0.00	0.00
0.00	0.00	684.00	655.00
2,825,709.07	2,600,332.86	437,297.93	391,642.64
707,472.39	665,419.50	152,552.14	140 000
300,949.08	306,606.54	87,008.62	149,390.75
176,822.11	153,993.82	33,393.17	68,050.71
0.00	0.00	39,576.45	38,897.06
0.00	0.00	27,994.00	77,351.64
17,808.00	15,419.27	9,267.20	26,670.00
642,232.17	534,359.07	0.00	4,681.39
0.00	0.00	936.08	0.00
5,989.45	3,815.63	5,348.00	1,142.79
3,200.00	5,500.00	0.00	5,100.00 0.00
1,854,473.20	1,685,113.83	356,075.66	371,284.34
971,235.87	915,219.03	81,222.27	20,358.30
123,328.90	130,829.79	73,028.04	56,997.56
847,906.97	784,389.24	8,194.23	(36,639.26)
51,282.42	18,055.07	45,754.40	4,185.20
899,189.39	802,444.31	53,948.63	(32,454.06)
109,827.16	76,771.10	234,799.00	141,049.95
789,362.23	725,673.21	(180,850.37)	(173,504.01)
1,810.50	1,810.50	102.18	102.18
1,511.08	1,511.08	85.28	85.28
0.00	0.00	3,357.60	3,357.60
2,697.68	0.00	6,294.58	0.00
358,800.00	358,140.00	172,634.00	122,607.00
364,819.26	361,461.58	182,473.64	126,152.06
424 542 97	264 211 62		

424,542.97 364,211.63

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(363,324.01) (299,656.07)

SEE NOTES TO FINANCIAL STATEMENTS

PAGE 3

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GREATER OUACHITA WATER COMPANY STATEMENT OF SURPLUS

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AUGUST 31 1998 1997

CONTRIBUTIONS IN AID OF CONSTRUCTION Balance - Beginning	2,042,510.80	1,836,350.59
Additions		
Water Tap Fees	75,866.00	77,950.00
Sewer Tap Fees	10,550.00	9,950.00
Other	19,873.61	118,260.21
Balance - Ending	2,148,800.41	2,042,510.80

UNAPPROPRIATED SURPLUS Balance - Beginning	6,987,218.65	6,922,663.09
Additions Net Income For The Year	61,218.96	64,555.56
Balance - Ending	7,048,437.61	6,987,218.65
TOTAL SURPLUS - ENDING	9,197,238.02	9,029,729.45

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SEE NOTES TO FINANCIAL STATEMENTS

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

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	YEAR ENDED 1998	AUGUST 31 1997
CACU REALIZE REAL ADDED MENTAL ACCEPTION		
CASH FLOWS FROM OPERATING ACTIVITIES Net Income	61 210 06	
Noncash Items Included In Net Income	61,218.96	64,555.56
Amortization of Bond Discount	1,912.68	1,912.68
Amortization of Bond Issue Expense	13,946.22	4,953.96
Depreciation	531,434.00	480,747.00
Changes in:		
Accounts Receivable	(80,051.62)	(50,214.05)
Prepaid Expenses	(6,998.23)	(13,075.10)
Unamortized Bond Issue Expense	(142,646.90)	(8,975.00)
Interest Payable	85,371.25	(8,862.50)
Accounts Payable - Trade	(168,696.25)	224,173.67
Accounts Payable - Sewers	38,549.01	34,852.54
Payroll Taxes Sales Taxes	57.86	0.12
DULCS IUNES	1,650.00	(1,036.00)
Total Adjustments	(272,764.88)	176,863.68
Net Cash Provided By (Used By) Operating Activities	335,746.98	729,032.88
CASH FLOWS FROM INVESTING ACTIVITIES Plant & Equipment	(1,430,251.73)	(1,867,338.95)
Net Cash Provided By (Used By) Investing Activities	(1,430,251.73)	(1,867,338.95)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investments in Special Funds	(1,742,554.18)	97,962.91
Customer Meter Deposits	54,562.50	14,702.00
Contributions in Aid of Construction	106,289.61	206,160.21
Payoff Loan From Central Bank	(1,088,000.00)	0.00
Loan From Central Bank	725,000.00	1,088,000.00
New Bond Issue Redemption of Dende Develo	3,500,000.00	0.00
Redemption of Bonds Payable	(330,000.00)	(325,750.00)
Net Cash Provided By (Used By) Financing Activities	1,225,297.93	1,081,075.12
NET INCREASE (DECREASE) IN CASH	130,793.18	(57,230.95)
CASH AT BEGINNING OF YEAR	68,250.56	125,481.51

CASH AT END OF YEAR

199,043.74 68,250.56

SEE NOTES TO FINANCIAL STATEMENTS



NOTE A - HISTORY AND ORGANIZATION

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

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

An Indenture of Mortgage, dated September 1, 1964, was made by and between the Greater Ouachita Water Company and the First National Bank of Commerce in New Orleans, Now Bank One, a national banking association having its principal office in New Orleans, Louisiana, as trustee. Supplemental Indentures of Mortgage have been made covering additions to the system.

Revenue bonds were issued in three series. Proceeds of the first series (Series 1964) were received on September 23, 1964, and the first purchase of systems was made. Proceeds of the second series (Series 1965) were received on April 12, 1965, and additional properties were added to the system. Proceeds of the third series (Series 1994A) were received on March 16, 1994, and of the fourth series (Series 97A&B) were received on December 11, 1997. These proceeds are to be used in the building of a new sewer treatment plant.

The company began operations September 28, 1964. It has an agreement with M-N Utilities, Inc., West Monroe, Louisiana to

operate the system. Johnny D. Nichols, West Monroe, Louisiana, is the president of M-N Utilities, Inc.

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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 Robert E. Bentz, President Wood T Sparks, Secretary-Treasurer

11,586.33 7,688.12 <u>10,286.96</u> 29,561.41

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING - The company uses the accrual method of accounting.

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

> Cost of System 25 - 50 years Various Equipment 5 - 20 years

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

SPECIAL FUNDS - The Indenture of Mortgage requires the company twice each month to transfer from the general or operating bank accounts all monies in excess of a minimum amount that is shown by the annual budget to be necessary for operating expenses for the current fiscal year to the Trustee for credit to the Revenue Fund.

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

 Interest Fund until at least six months' interest on all outstanding bonds is accumulated or restored. On August 31, 1998, the balance in the Interest Fund was \$129,958.34. Interest payable at August 31, 1998, was

\$156,415.00.

 Reserve Fund until an amount equal to 100% of the maximum annual interest requirements on all outstanding bonds is accumulated or restored.

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- 3. Renewals, Replacements & Extensions Fund until \$150,000.00 is accumulated or restored. During the period under review, additions and expenditures made to and from this fund for improvements to the system resulted in a balance of \$97,915.13.
- 4. Sinking Fund, an amount beginning September 15, 1994, which when multiplied by the number of such monthly deposits to be made during the next twelve month period will equal the annual requirement for that year. To date, adequate deposits have been made and the requirements of the Indenture of Mortgage have been met as shown below:

DIF DATE

AMOUNT DUE

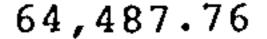
DOP	DATE	AHOUNT DUE
August 1 August 1	5, 1969 - 1997 5, 1998	3,235,000.00 335,000.00
		3,570,000.00

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

5. Mandatory Retirement Fund, all remaining monies. On August 23 of each year, beginning August 25, 1969, all monies in the Sinking Fund will be transferred to this fund. At August 31, 1998, this transfer had not been made, and there was no balance in this fund.

DEFERRED CHARGES AND AMORTIZATION - Discounts on bonds issued by the company are being amortized over the term of the bonds. Shown below is an analysis of unamortized bond discount:

Original Bond Discount	66,400.00
Less Prior Year Amortization	62,575.08
Less Current Year Amortization	1,912.68



Total Amortization

Balance at August 31, 1998

1,912.24

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

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

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

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

NOTE C - PLANT AND EQUIPMENT

Plant and Equipment is stated at the acquisition costs of the assets to the company, with the exception of the systems of Lakeview Utilities, Inc., North Louisiana Production Corporation, and B & W Utilities, Inc., which were contributed by their owners and are stated at their appraised value. Maintenance and repairs are charged to operations currently and major renewals and betterments are capitalized. Additions to the system during the year ended August 31, 1998, totaled \$1,430,251.73, and for the year ended August 31, 1997, totaled \$1,867,338.95. Shown below is an analysis of the cost of the system by expenditures from various funds:

BALANCE

BALANCE

8/31/97 DURING YEAR 8/31/98 Bond Proceeds Series 1964 1,922,208.08 1,922,208.08 Bond Proceeds Series 1965 907,211.16 907,211.16 General Fund 9,974,575.78 1,115,255.39 11,089,831.17 continued on next page: 00 00 00

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Renewals, Replacements &	Ŷ		
Extensions Fund	2,984,290.54	27,038.58	3,011,329.12
Revenue Fund	35,015.84		35,015.84
1994A Fund	1,589,319.75	69,404.47	1,658,724.22
97A&B Fund	.00	218,553.29	218,553.29
Contributions			
Lakeview Utilities, Inc.	•		
Water & Sewer System	196,000.00		196,000.00
North LA Production Corp	7.		
Water System	71,800.00		71,800.00
B & W Utilities, Inc.			•
Water System	44,658.00		44,658.00
	17,725,079.15	1,430,251.73	19,155,330.88
Less Retirements			
Gas System Transferred	(231,266.20)		(231,266.20)

		=================	=============
Total	17,493,812.95	1,430,251.73	18,924,064.68
		•··• •· •· •· •· •· •· •· •· •·	
Gas System Transferred	(231,200.20)		(231,266.20)

NOTE D - LONG TERM DEBT

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

On March 16,1994, the company issued bonds known as "Greater Ouachita Water Company Waterworks and Natural Gas System Bonds, Series 1994A" in the amount of \$2,000,000.00. Interest is paid semi-annually on March 1, and September 1. The interest rate is 6.25% through December 10, 1997, and thereafter shall bear interest at the rate determined by the Trustee on March 1, 2000, by adding 400 basis points to the five year constant maturity treasury and multiplying such amount by the remainder of one minus the corporate tax rate applicable to Central Bank, now Bank

One, Monroe, Louisiana on such date. Principle shall be payable annually on September 1 in each year commencing September 1, 1995.



On December 11, 1997, the company issued bonds known as "Waterworks and Natural Gas Revenue Bonds of the Greater Ouachita Water Company Series 1997" in the amount of \$3,500,000.00. Interest is paid semi-annually on March 1, and September 1. The interest rate shall begin at 5.675%

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

NOTE E - LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

On or about March 16, 1990, the Louisiana Department of Envi-

ronmental Quality ("LaDEQ") issued Compliance Order No. WC-90-014 to the Greater Ouachita Water Company ("GOWC") alleging certain violations of the Louisiana Water Control law, the Louisiana Water Regulations and previously issued compliance Order No. WC-88-149.

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

On or about April 5, 1990, LaDEQ issued a proposed penalty notice (WP-90-013) in the amount of \$6,000.00 to GOWC, and in response thereto, Respondent filed a timely request for hearing, which was granted.

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

ended August 31, 1990.

The company has finalized plans to comply with the sewer discharge limitations in the permits issued by LaDEQ and EPA. Three regional sewage treatment facilities are contemplated and

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

obtain sufficient revenues to pay for the improvements were granted in part.

NOTE F - PENSION PLAN

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A money purchase pension plan was put into effect on September 1, 1995. All employees of the company are eligible. The company will contribute on the behalf of each participant 25% of the participant's compensation. The amount contributed during the year ended August 31, 1998 was 7,800.00, and for August 31, 1997, was \$6,750.00.

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SUPPLEMENTARY INFORMATION

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

318/388-0627

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

INDEPENDENT AUDITORS' REPORT

ON SUPPLEMENTARY INFORMATION

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

Our report on our audit of the basic financial statements of Greater Ouachita Water Company for the years ended August 31, 1998, and 1997, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on the following pages is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

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

WEBB AND WEBB

Monroe, Louisiana November 30, 1998

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

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

SEE NOTES TO FINANCIAL STATEMENTS

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

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

SEE NOTES TO FINANCIAL STATEMENTS

PAGE 14

GREATER OUACHITA WATER COMPANY SCHEDULE OF INSURANCE AUGUST 31, 1998

MAXIMUM TOTAL AMOUNT COVERAGE то RISK FROM PREMIUM PREPAID Items listed in policy in- 2,000,000 7/31/98 7/31/99 16,538.00 15,160.00 clude wells, water tanks, reservoirs, sewer life pump & treatment plants pressure pumps, tank, bldg. Products - Completed Oper. 2,000,000 Personal & Adv. Injury 1,000,000 100,000 Fire Damage Medical 5,000 Hired, Non-Owned Autos BI and PD 10,000,000 500,000 7/31/98 7/31/99 7,075.00 6,485.42 Employees 12/3/98 12/3/99 250.00 41.67 Robert E. Bentz 25,000 W. D. Carter 25,000 25,000 Wood T. Sparks

Same as above

500,000 1/1/98 1/1/99

Personal & Adv. Injury 3,000,000 7/14/98 7/14/99 5,171.00 4,740.08 Products - Completed Oper.

29,034.00 26,427.17

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

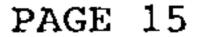
Products - Completed Oper. 2,000,000 6/1/98 6/1/99 Personal & Adv. Injury 1,000,000 Fire Damage 50,000 Medical 5,000

Automobiles [1,000,000 6/1/98 6/1/99

Employees

100,000 Effective Date 1/1/90 Continuous until Canceled

SEE NOTES TO FINANCIAL STATEMENTS



GREATER OUACHITA WATER COMPANY SCHEDULE OF INSURANCE AUGUST 31, 1998

COMPANY	POLICY NO.	AGENT	TYPE
American Central Ins. Co.	MER 563817	Troy & Montgomery	Fire and extended coverage, vandal- ism, malicious mischief
			General Liability "
			11
			Auto Liability
American Central Ins. Co.	MED Z96500		Commercial Umb- rella & Liability
Western Surety Company	1228024	Troy & Montgomery	Fidelity Bond
LA Workers Compensation Cor	r 6842	Trov &	Workmen's Comp.

LA Workers Compensation	Corp	6842	Troy & Montgomery	Workmen's Comp.
Coregis Insurance Co.	NPN	441744	Troy & Montgomery	Directors & Offi- cers Liability

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

The American Central MER 526306 Troy & General Liability Insurance Co. Montgomery

The American Central MEAK 54234 Troy & Auto liability, collision, compre-Montgomery Insurance Co. hensive coverage, medical payments uninsured motorist Summit Con-Louisiana Employers Safety 777-1997 Workmen's Comp. Assoc. Self Insurers Fund sulting Inc.

SEE NOTES TO FINANCIAL STATEMENTS



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

CASH IN FIRST NATIONAL BANK OF COMMERCE

INVESTMENTS Marquis Treasury Secs Money Market

Total of Fund

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

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440.02

0.00

440.02

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

FUND BALANCE - ENDING

440.02

826.85

SEE NOTES TO FINANCIAL STATEMENTS

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

CASH IN FIRST NATIONAL BANK OF COMMERCE

INVESTMENTS Marquis Treasury Secs Money Market

Total of Fund

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

129,958.34

129,908.94

49.40

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

FUND BALANCE - ENDING

129,958.34

71,825.66

SEE NOTES TO FINANCIAL STATEMENTS



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

CASH IN FIRST NATIONAL BANK OF COMMERCE

INVESTMENTS Marquis Treasury Secs Money Market

Total of Fund

320,753.74

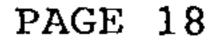
0.00

320,753.74

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

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

SEE NOTES TO FINANCIAL STATEMENTS



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

CASH IN FIRST NATIONAL BANK OF COMMERCE

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INVESTMENTS Marquis Treasury Secs Money Market

Total of Fund

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97,915.13

97,915.13

0.00

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

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

SEE NOTES TO FINANCIAL STATEMENTS



12,141,90

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

CASH IN FIRST NATIONAL BANK OF COMMERCE 0.00

INVESTMENTS Marquis Treasury Secs Money Market

265,531.34

Total of Fund

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265,531.34

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

	YEAR ENDED AUGUST 31 1998 1997	

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

FUND BALANCE - ENDING

265,531.34 342,927.91

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SEE NOTES TO FINANCIAL STATEMENTS



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

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

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

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

SEE NOTES TO FINANCIAL STATEMENTS

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

CASH IN FIRST NATIONAL BANK OF COMMERCE

INVESTMENTS Marquis Treasury Secs Money Market

Total of Fund

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

> YEAR ENDED AUGUST 31 1 ~ ~ ~

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1,563,893.07 ===================

(62, 339.77)

1,626,232.84

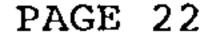
	1998	1997
FUND BALANCE - BEGINNING	0.00	0.00
DEPOSITS IN FUND Bond Issue Earnings from Investments	3,500,000.00 60,826.95	0.00
Total Deposits	3,560,826.95	0.00
	3,560,826.95	0.00
DISBURSEMENTS FROM FUND		
Transfers to R.R. & E. Fund	112,816.65	0.00
Transfers to Reserve Fund	169,442.51	0.00
Transfers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

FUND BALANCE - ENDING

1,563,893.07

0.00

SEE NOTES TO FINANCIAL STATEMENTS



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

CASH IN FIRST NATIONAL BANK OF COMMERCE 0.01

INVESTMENTS Marquis Treasury Sec Money Market

0.00

Total of Fund

0.01 _____

REDEMPTION PAYMENT ACCOUNT COMPARATIVE ANALYSIS OF DEPOSITS AND DISBURSEMENTS FOR THE YEARS ENDED AUGUST 31, 1998AND 1997

	YEAR ENDED AUGUST 31		
	1998	1997	
FUND BALANCE - BEGINNING	0.01	0.01	
DEPOSITS IN FUND			
Total Deposits	0.00	0.00	
	0.01	0.01	
DISBURSEMENTS FROM FUND			
Total Disbursements	0.00	0.00	
FUND BALANCE - ENDING	0.01	0.01	
DEPOSITS IN FUND Total Deposits DISBURSEMENTS FROM FUND Total Disbursements	0.00 0.01	0.00	

SEE NOTES TO FINANCIAL STATEMENTS



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

AMS SURVEY AND SUPPLY, INC. 151.91 BRALEY'S FINANCIAL SYSTEMS, INC. 238.33 481.80 BROOKS ELECTRIC, INC. D & W SYSTEM SALES, INC. 5,736.00 599.63 DELTA PROCESS, INC. 10,145.05 DPC INDUSTRIES, INC. EMS ELECTRICAL & MECHANICAL 427.68 836.36 GULF STATES UTILITY, INC. JABAR CORPORATION 5,706.33 KEAN, MILLER, HAWTHORNE, D'ARMOND 64.00 6,000.00 LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY LOUISIANA UTILITY SUPPLY, INC. 329.80 159,759.27 M-N UTILITIES, INC. MONROE COMMUNICATIONS INC. 41.08 ONE CALL CONCEPTS, INC. 361.20 PACO PUMPS, INC. 3,950.00 1,125.63 PRAIRIE ROAD WATER DISTRICT 391.91 R. E. BENTZ, INC.

SAIA	224.83
STUART C. IRBY, INC.	284.94
SUMMERS SUPPLY, INC.	209.28
TAXATION & REVENUE DEPT CITY OF MONROE	41,614.52
U. S. FILTER	813.75
WEST FEED MILLS & FARM SUPPLY, INC.	335.72
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	239,829.02

#### SEE NOTES TO FINANCIAL STATEMENTS

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#### GREATER OUACHITA WATER COMPANY DETAILS OF ADMINISTRATIVE EXPENSES

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

PRORATED IN THE FOLLOWING MANNER:

YEAR ENDED AUGUST 31, 1998

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2,709,760.76 86.123%

436,613.93 13.877%

3,146,374.69 100.000%

WATER REVENUE

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SEWER REVENUE

#### SEE NOTES TO FINANCIAL STATEMENTS

PAGE 25

#### GREATER OUACHITA WATER COMPANY DETAILS OF ADMINISTRATIVE EXPENSES

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

PRORATED IN THE FOLLOWING MANNER:

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

#### SEE NOTES TO FINANCIAL STATEMENTS

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#### GREATER OUACHITA WATER COMPANY DETAILS OF OTHER INCOME AND OTHER EXPENSES

	TOTAL SYSTEM YEAR ENDED AUGUST 31 1998 1997		
OTHER INCOME			
Bad Debt Recovery	1,268.05	1,253.60	
Discounts Earned	613.56	987.86	
Interest Earned	90,572.83	15,592.22	
Miscellaneous	735.37	256.13	
NSF Check Charges	3,792.00	4,070.00	
Oil & Gas Royalties	55.01	80.46	
Total Other Income	97,036.82	22,240.27	

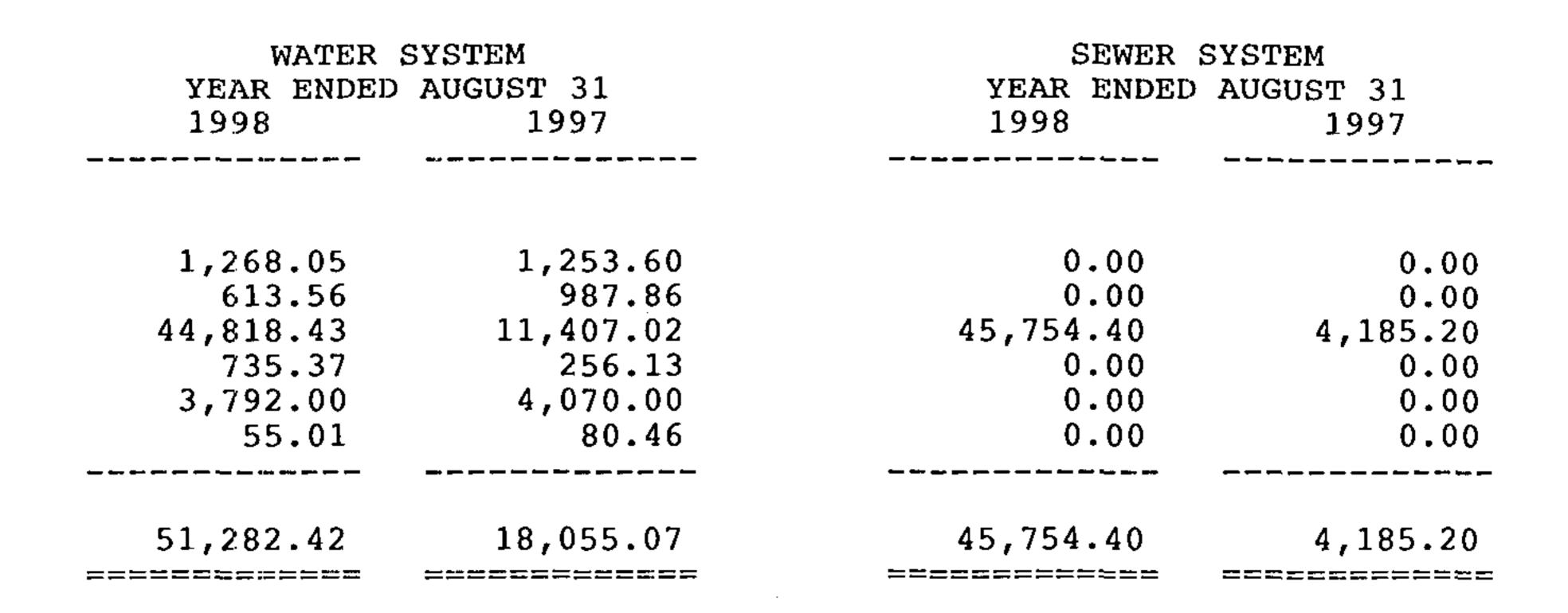
Interest Expense - Bonds S. 1994A	92,185.00	110,625.00
Interest Expense - Bonds 97 A&B	146,811.67	0.00
Interest Expense - Customer Deposits	16,519.43	17,026.35
Interest Expense - Central Bank	35,253.17	25,184.46
Pension Expense	8,201.92	6,750.00
NSF Check Charges	3,652.00	3,810.00
Provision For Bad Accounts	19,871.01	22,465.17
Cash Short	131.96	103.82
Total Other Expense	344,626.16	217,821.05

# SEE NOTES TO FINANCIAL STATEMENTS



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#### GREATER OUACHITA WATER COMPANY DETAILS OF OTHER INCOME AND OTHER EXPENSES



20,824.76	30,154.49	1,175.24	1,701.76
0.00	0.00	92,185.00	110,625.00
44,043.50	0.00	102,768.17	0.00
16,519.43	17,026.35	0.00	0.00
0.00	0.00	35,253.17	25,184.46
7,145.77	5,880.81	1,056.15	869.19
3,652.00	3,810.00	0.00	0.00
17,509.74	19,795.63	2,361.27	2,669.54
131.96	103.82	0.00	0.00
109,827.16	76,771.10	234,799.00	141,049.95

#### SEE NOTES TO FINANCIAL STATEMENTS



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

	YEAR ENDED 1998	AUGUST 31 1997
GENERAL FUND	0.00	313.21
REVENUE FUND	539.82	115.85
RESERVE FUND	13,027.97	6,531.53
RENEWALS, REPLACEMENTS & EXTENSIONS FUND	3,324.69	563.00
SINKING FUND	5,443.54	1,395.38
INTEREST FUND	4,234.32	2,488.05

SERIES 1994A FUND

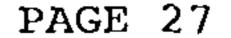
SERIES 97A&B FUND

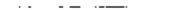
TOTAL

3,175.54 4,185.20 60,826.95 0.00 90,572.83 15,592.22

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#### SEE NOTES TO FINANCIAL STATEMENTS





#### GREATER OUACHITA WATER COMPANY COMPARATIVE STATISTICS

	AUGUST 31 1998	AUGUST 31 1997	AUGUST 31 1996	AUGUST 31 1995	AUGUST 31 1994
Total number of water customers at end of year	14,514	12,863	12,680	12,506	12,327
Average monthly consumption per water customer	8.1 M gal.	8.2 M gal.	8.2 M gal.	7.7 M gal.	7.6 M gal.
average monthly bill per water customer	\$17.02	\$16.06	\$16.82	\$16.07	\$15.92

Total number of sewer customers at end of year	2,339.00	2,194	2,147	1,980	1,977
Average monthly bill per sewer customer	\$16.31	\$15.02	\$15.14	\$15.03	\$15.06

#### SEE NOTES TO FINANCIAL STATEMENTS

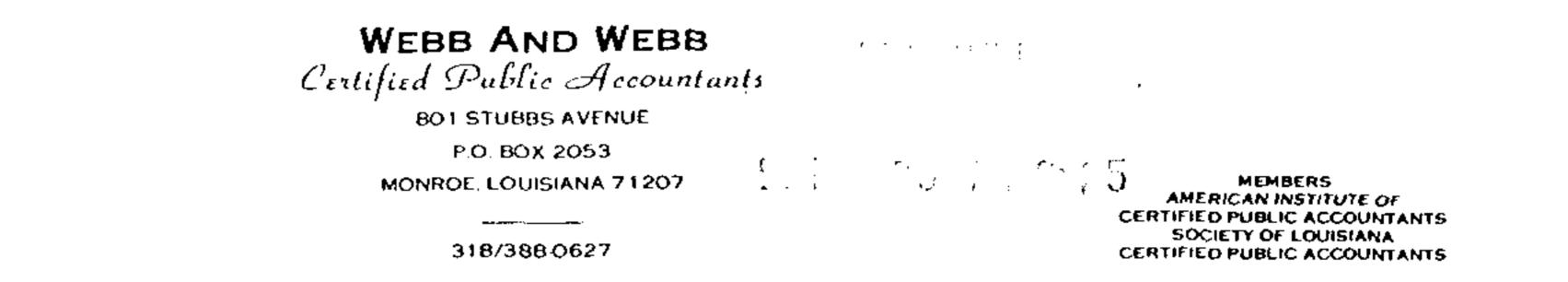
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LEONARD MARK WEBB, CPA BARRY P, WEBB, SR., CPA

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

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

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

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from these failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following instance of noncompliance that is material to the financial statements and has been recognized in Greater Ouachita Water Company's 1998 and 1997 financial statements.

As noted in note F of the notes to financial statements of the reports ended August 31, 1998 and 1997, Greater Ouachita Water Company was issued a compliance order from the Louisiana Department of Environmental Quality for certain violations of the Louisiana Water Control law. A \$6,000.00 fine was levied on April 5, 1990, and a liability was recognized at that time.

We considered this instance of noncompliance in forming our opinion on

whether Greater Ouachita Water Company's 1998 and 1997 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and this report does not affect our report dated November 30, 1998, on those financial statements.

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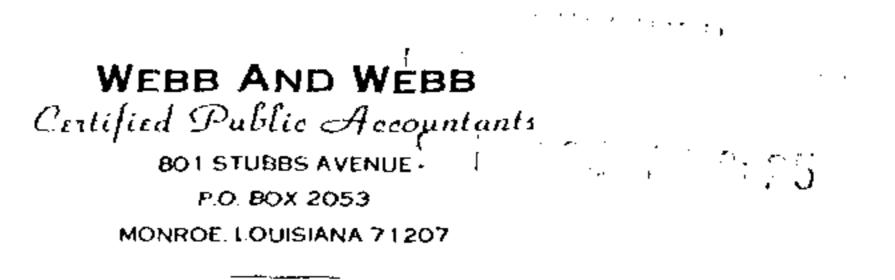
Except as described above, the results of our test of compliance indicated that, with respect to the items tested, Greater Ouachita Water Company complied, in all material respects, with the provisions referred to in the third paragraph of this report; and, with respect to items not tested, nothing came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

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

Barry Webb

November 30, 1998

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

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

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

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

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

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

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

- 1. Financial statement captions:
  - a. Plant & Equipment
  - b. Special Funds
  - c. Cash
  - d. Receivables
  - e. Other Assets
  - f. Debt
  - g. Payables & Accrued Liabilities
  - h. Surplus
- 2. Accounting applications: a. Billings b. Receivables c. Cash Receipts

- d. Accounts Payable
- e. Cash Disbursements
- f. General Ledger
- 3. Cycles of the entity's activities
- 4. Controls used in administering compliance with laws and regulations:
  - a. General Controls
  - b. Specific Controls

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

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

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

Barry Webb

November 30, 1998

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