

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED

AUGUST 31, 2012

GREATER OUACHITA WATER COMPANY
AUGUST 31, 2012

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3-4
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-20
SUPPLEMENTARY INFORMATION:	
Schedule I - Statement of Revenues and Expenses.....	21-22
Schedule II - Statement of Functional Expenses - By Program....	23
Schedule III - Statement of Administrative Expenses.....	24
COMPLIANCE REPORT:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed In Accordance with <i>Government Auditing</i> Standards.....	25-26
Current Year Schedule of Audit Findings.....	27
Corrective Actions Taken on Prior Year Findings.....	28

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

ROWLAND H. PERRY, CPA, APC
CHARLES L. JOHNSON, JR., CPA
VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC
PAM BATTAGLIA, CPA
TREY GIMBER, CPA



"The CPA. Never Underestimate The Value."

Certified Public Accountants

3007 Armand Street
Monroe, Louisiana 71201
Telephone (318) 322-5156 or (318) 323-1411
Facsimile (318) 323-6331

- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

May 24, 2013

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, 2012, 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, 2012, 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, 2012, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary financial information, listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of Greater Ouachita Water Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, 2012

ASSETS

PLANT AND EQUIPMENT

Cost of Systems	55,083,090
Accumulated Depreciation	<u>(20,255,576)</u>

NET PLANT AND EQUIPMENT 34,827,514

INVESTMENTS - CURRENT

Bond Interest Fund	424,896
Reserve Fund	226,497
Renewals, Replacements and Extensions Fund	132,964
Bond Fund Principal	590,019
Construction Fund	<u>29,387</u>

TOTAL INVESTMENTS - CURRENT 1,403,763

CURRENT ASSETS

General Fund Cash	441,609
Accounts Receivable - Customers (Net)	1,998,182
Prepaid Expense	<u>80,685</u>

TOTAL CURRENT ASSETS 2,520,476

OTHER ASSETS

Unamortized Bond Issue Expense (Note B)	<u>136,698</u>
---	----------------

TOTAL OTHER ASSETS 136,698

TOTAL ASSETS 38,888,451

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AUGUST 31, 2012

LIABILITIES

LONG-TERM DEBT (NOTE D)

Bonds Payable - Series 1994A	310,000
Bonds Payable - Series 97A&B	1,975,000
Bonds Payable - Series 2003	7,965,000
Bonds Payable - Series 2009	11,000,000
Less: Current Maturities of Long-Term Debt	(590,000)

TOTAL LONG-TERM DEBT 20,660,000

FUNDED LIABILITIES

Interest Payable	<u>424,878</u>
------------------	----------------

TOTAL FUNDED LIABILITIES 424,878

CURRENT LIABILITIES

Accounts Payable - Trade	1,158,673
Accounts Payable - West Ouachita Sewer	468,565
Accounts Payable - Other Sewer	72,485
Current Maturities of Long-Term Debt	590,000
Payroll Taxes Payable	1,460
Sales Taxes Payable	-
Accrued Insurance	51,825
Line of Credit - Chase	<u>6,224,225</u>

TOTAL CURRENT LIABILITIES 8,567,233

DEFERRED LIABILITIES

Customer Meter Deposits	640,072
Underfunded Pension Benefit	<u>4,297</u>

TOTAL DEFERRED LIABILITIES 644,369

TOTAL LIABILITIES 30,296,480

NET ASSETS

UNRESTRICTED NET ASSETS (SURPLUS) 8,591,971

TOTAL LIABILITIES AND NET ASSETS 38,888,451

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

<u>OPERATING REVENUE</u>		
Charges for Services	8,548,063	
Late Payment Charges	121,110	
Reconnect Charges	98,991	
Sewer Inspection Fees	250	
Water Connect Charges	165,240	
Tapping Fees	<u>129,241</u>	
<u>TOTAL OPERATING REVENUE</u>		9,062,895
<u>COST OF SALES</u>		
Water Purchased	1,293,188	
Water and Sewer Taps	<u>33,236</u>	
<u>TOTAL COST OF SALES</u>		<u>1,326,424</u>
<u>GROSS PROFIT</u>		7,736,471
<u>FUNCTIONAL EXPENSES</u>		
Operating Expenses	7,846,346	
Administrative Expenses	<u>722,138</u>	
<u>TOTAL FUNCTIONAL EXPENSES</u>		<u>8,568,484</u>
<u>NET OPERATING PROFIT (LOSS)</u>		(832,013)
<u>OTHER REVENUES</u>		
Interest	773	
Sewer Maintenance Agreement	151,415	
Safe Drinking Water Fees Program	84	
Miscellaneous	<u>88,584</u>	
<u>TOTAL OTHER REVENUES</u>		<u>240,856</u>
Excess Of Revenues Over Expenses		(591,157)
Pension and Retirement Changes Other Than Net Periodic Benefit Cost		(<u>77,227</u>)
<u>NET INCREASE (DECREASE) IN NET ASSETS</u>		(668,384)
<u>NET ASSETS AT BEGINNING OF YEAR</u>		<u>9,260,355</u>
<u>NET ASSETS AT END OF YEAR</u>		<u>8,591,971</u>

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2012

	ADMINISTRATIVE EXPENSES	OPERATING EXPENSES	TOTAL
Operating Contract	-	2,760,045	2,760,045
Power	-	727,981	727,981
Maintenance	-	859,043	859,043
Chemicals	-	397,229	397,229
Testing	-	45,330	45,330
Water Used in Sewer Plant	-	2,251	2,251
Service and Franchise Fees	-	7,647	7,647
Right of Way	-	17,171	17,171
Accounting	18,200	-	18,200
Consulting Fees	38,858	-	38,858
Bank Charges	42,945	-	42,945
Dues and Subscriptions	1,014	-	1,014
Engineering Fees	-	49,312	49,312
Inspection and Supervision Fee	13,847	-	13,847
Insurance	66,157	-	66,157
Interest	-	935,160	935,160
Legal and Administrative	267,556	-	267,556
Miscellaneous	24,332	-	24,332
Office Expenses	12,682	-	12,682
Postage	3,414	-	3,414
Rent	2,070	-	2,070
Salaries	118,532	-	118,532
Taxes and Licenses	9,741	29,213	38,954
Telephone	7,255	-	7,255
Travel	5,986	-	5,986
Trustee Fees	8,200	-	8,200
Provisions for Bad Debts	-	43,714	43,714
Interest Paid on Customer Accounts	-	36,568	36,568
Pension Expense	81,349	-	81,349
Amortization	-	9,185	9,185
Depreciation	-	1,926,497	1,926,497
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>722,138</u>	<u>7,846,346</u>	<u>8,568,484</u>

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF CASH FLOWS
AUGUST 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets		(668,384)
Noncash Items Included in Net Income		
Amortization of Bond Issue Expense		9,185
Depreciation		1,926,497
Changes in:		
Accounts Receivable	(201,955)	
Prepaid Expenses	(22,071)	
Over-Funded Pension Benefits	63,366	
Interest Payable	(10,486)	
Accounts Payable - Trade	34,928	
Accounts Payable - Sewers	81,503	
Payroll Taxes	365	
Sales Taxes	-	
Underfunded Pension Benefits	4,297	
Accrued Insurance	3,935	
Total Adjustments		(46,118)

<u>NET CASH PROVIDED BY (USED BY)</u> <u>OPERATING ACTIVITIES</u>	<u>1,221,180</u>
--	------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Plant and Equipment		(3,402,177)
Investments in Special Funds		<u>45,838</u>

<u>NET CASH PROVIDED BY (USED BY)</u> <u>INVESTING ACTIVITIES</u>	<u>(3,356,339)</u>
--	--------------------

CASH FLOWS FROM FINANCING ACTIVITIES

Customer Meter Deposits		52,056
Redemption of Bonds Payable	(565,000)	
Payments on Line of Credit	(55,325)	
Proceeds from Line of Credit		<u>2,866,000</u>

<u>NET CASH PROVIDED BY (USED BY)</u> <u>FINANCING ACTIVITIES</u>	<u>2,297,731</u>
--	------------------

<u>NET INCREASE (DECREASE) IN CASH</u>	162,572
--	---------

<u>CASH AT BEGINNING OF YEAR</u>	<u>279,037</u>
----------------------------------	----------------

<u>CASH AT END OF YEAR</u>	<u>441,609</u>
----------------------------	----------------

Interest Paid During the Year was \$945,646
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, 2012

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 six 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. Proceeds of the sixth series (Series 2009) were received on December 9, 2009.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

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 and owner 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 (Past Secretary)	19,795
Robert E. Bentz (Past Vice-President)	14,184
Wood T. Sparks, President and Assistant Secretary	61,902
Philip McQueen, Secretary	6,094
Barry Webb, Treasurer	<u>10,200</u>
<u>Total</u>	<u>112,175</u>

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of Accounting

The Company uses the accrual method of accounting in accordance with generally accepted accounting principles in the United States for non-profit organizations.

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 Principal Fund and Interest Fund.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

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

Special bond funds held by the Trustee are computed as follows:

Special Funds (Continued)

1. Interest Fund until at least six months' interest on all outstanding bonds is accumulated or restored. On August 31, 2012, the balance in the Interest Fund was \$424,896. Interest payable at August 31, 2012 was \$424,878.
2. Construction Improvement Fund, created in the indenture to pay for capital improvements to the system. During the period under review, additions and expenditures made to and from this fund for improvements to the system resulted in a balance of \$29,387.
3. Principal Fund, an amount 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.

The annual amount due on September 1, 2013 will be \$590,000.

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, 2011		441,252
Less: Prior Year Amortization	295,369	
Less: Current Year Amortization	<u>9,185</u>	
Total Amortization		<u>(304,554)</u>
Balance at August 31, 2012		<u>136,698</u>

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

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

Cash and Cash Equivalents

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

Accounts Receivable - Customers

Accounts receivable are reported net of an allowance for doubtful accounts of \$10,038. 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 \$626,351, which consist of revenues earned but not billed.

Use of Estimates

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

Income Taxes

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

Advertising Expenses

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended August 31, 2012 were immaterial.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

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

Contributions (Continued)

donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized.

Donated services are recognized as contributions in accordance with professional standards (FASB ASC 958-605-25-16), if the services create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and would need to be purchased if they were not donated.

Donated facilities are recognized as contributions in accordance with professional standards (FASB ASC 958-605-52-24).

During the fiscal year ended August 31, 2012, no contributions were received by the Company that meet the criteria for recognition in these financial statements.

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, 2012, totaled \$3,402,177. Shown below is an analysis of the cost of the system by expenditures from various funds:

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2012

NOTE C - PLANT AND EQUIPMENT: (Continued)

	<u>Balance 08/31/11</u>	<u>During Year</u>	<u>Balance 08/31/12</u>
Bond Proceeds Series 1964	1,922,208	-	1,922,208
Bond Proceeds Series 1965	907,211	-	907,211
General Fund	33,755,364	3,290,282	37,045,646
Renewals, Replacements and Extensions Fund	3,272,892	-	3,272,892
Improvements Fund	8,125,747	111,895	8,237,642
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>
	51,912,179	3,402,177	55,314,356
Less: Retirements Gas System Transferred	<u>(231,266)</u>	<u>-</u>	<u>(231,266)</u>
<u>Total</u>	<u>51,680,913</u>	<u>3,402,177</u>	<u>55,083,090</u>

The details of plant and equipment are as follows:

Water Mains and Extensions	20,327,469
Water Service Lines	2,615,697
Water Meters	986,700
Water Wells	12,590,302
Water Chlorine Equipment	191,690
Meter Stations	170,637
Sewer	16,531,690
Other Equipment	247,893
Land	<u>1,421,012</u>
<u>Total</u>	<u>55,083,090</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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

NOTE D - LONG-TERM DEBT: (Continued)

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. Final payment is due in September 2013.

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%. Final payment is due in September 2017.

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%. Final payment is due in September 2024.

On December 9, 2009, the Company issued bonds known as "Waterworks and Natural Gas System Revenue Bonds Series 2009" in the amount of \$11,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate shall begin at 4.100%. Final payment is due in September 2029.

The Company has a line of credit with Chase Bank. The line of credit is unsecured with interest at one month LIBOR rate plus 1.25%. This line of credit was obtained to fund system improvements until new bonds are issued. The balance of the line of credit at August 31, 2012 was \$6,224,225. The line of credit is renewed annually.

During the year ended August 31, 2012, \$565,000 in bonds were redeemed, bringing the total of all bonds redeemed to \$7,555,000. The balance of bonds outstanding at August 31, 2012 was \$21,250,000.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

NOTE D - LONG-TERM DEBT: (Continued)

Principal payments for the next five years are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2012	590,000
2013	830,000
2014	870,000
2015	910,000
2016	955,000

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, 2012, the fair value of the long-term debt approximates the amounts recorded in the financial statements.

NOTE E - 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 F - PENSION PLAN:

A non-contributory defined benefit pension plan (the Plan) was put into effect on October 1, 2010. All employees of the Company are eligible to participate. The Company's funding policy is to contribute to the pension plan a monthly amount

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2012

NOTE F - PENSION PLAN: (Continued)

necessary to meet or exceed the minimum funding standards under the Employee Retirement Income Security Act.

Contributions to the benefit plan are invested in a managed asset portfolio consisting of cash and bonds. The investments are conservative and require maximum income from their investments. Moderate growth will occur since the portfolio has an income with growth objective. Short-term volatility will come from changes in bond prices due to interest rate fluctuations in the marketplace.

The Plan's investment policy is periodically reviewed and revised to reflect the best interest of the Plan's participants and beneficiaries. At present, investments of the Plan's assets are divided into four categories: Cash Equivalents, Mutual Funds - Fixed Income, Mutual Funds - Equity, and Mutual Funds - International Stock Fund.

At August 31, 2012, the breakdown of the fair value of plan assets held is as follows:

	<u>Amount</u>	<u>Percentage</u>
Cash Equivalents	12,018	4.0%
Mutual Funds - Fixed Income	167,806	56.1%
Mutual Funds - Equity	107,827	36.0%
Mutual Funds - International Stock Fund	<u>11,709</u>	<u>3.9%</u>
Total Plan Assets	<u>299,360</u>	<u>100.0%</u>

All investments, excluding Cash Equivalents, are valued using market prices. Cash Equivalents are reported at cost.

For the year ended August 31, 2012, the net return on the Plan assets was \$22,647. Greater Ouachita Water Company expects the long-term rate of return on the assets to be 5.51%. The assumed overall rate of return takes into account long-term return expectations of the underlying asset classes within the investment portfolio mix, and the expected duration of the Plan's liabilities. Return expectations are forward looking and, in general, not much weight is given to short-term experience. Unless there is a drastic change in investment policy or market environment,

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2012

NOTE F - PENSION PLAN: (Continued)

the assumed investment return of 5.51% on the Plan assets is expected to remain broadly the same each year. Generally accepted accounting principles require an actuarially determined assessment of the periodic cost.

The following table sets forth information on the funded status, amounts recognized in the financial statements, and weighted average assumptions related to Greater Ouachita Water Company's pension plan for the year ended August 31, 2012.

1.	Changes in Benefit Obligation	
	a. Benefit Obligation at August 31, 2011	133,347
	b. Employer Service Cost	70,348
	c. Employee Contributions for the Year	-
	d. Interest Cost	7,347
	e. Amendments	-
	f. Actuarial (gain/loss (includes loss=92,615 Assumption change)	92,615
	g. Changes in Actuarial Cost Methods and/or Systems	-
	h. Benefits Paid	-
	i. Benefit Obligation at August 31, 2012 (Sum a through h)	303,657
2.	Change in Plan Assets	
	a. Assets at August 31, 2011	196,713
	b. Actual Return on Plan Assets	25,127
	c. Expenses	(2,480)
	d. Employer Contributions for Fiscal Year 2012	80,000
	e. Employee Contributions	-
	f. Benefits Paid	-
	g. Assets at August 31, 2012 (Sum a through f)	299,360
3.	Funded (Unfunded) Status at August 31, 2012	
	a. (Accrued) Prepaid Pension Cost	135,948
	b. Balance in Accumulated Other Comprehensive Income Account	
	1. Unrecognized Net Actuarial Gain(Loss)	(140,245)
	2. Unrecognized Prior Service (Cost) Income	-
	3. Unrecognized Transition (Obligation) Asset	-
	4. Total Unrecognized (Expense) Asset	(140,245)
	c. Funded Status (Unfunded PBO) at August 31, 2012 (a.+b.4.)	(4,297)

GREATER OUACHITA WATER COMPANY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2012

NOTE F - PENSION PLAN: (Continued)

4.	Weighted-Average Assumptions at Year-End	
a.	Interest Rate Used to Calculate Net Periodic Pension Cost	5.51%
b.	Interest Rate Used to Calculate Year-End Disclosure Information (Discount Rate)	3.83%
c.	Expected Return on Plan Assets	5.51%
d.	Salary Scale to Calculate NPPC for FY that Began September 1, 2011	0.00%
e.	Salary Scale for Disclosure Information as of August 31, 2012	5.00%
5.	Components of Net Periodic Benefit Cost	
a.	Service Cost	70,348
b.	Interest Cost	7,347
c.	Expected Return on Plan Assets	(13,496)
d.	Amortization of Transition (Asset)/Obligation	-
e.	Amortization of Prior Service Cost	-
f.	Recognized Net Actuarial Loss	6,237
g.	Net Periodic Benefit Cost	<u>70,436</u>
6.	Projection of Benefits for Next Ten Fiscal Years	
	<u>Fiscal Years</u>	<u>Projected Benefits</u>
	2013	11,835
	2014	450,210
	2015	11
	2016	16
	2017	22
	Sum of Fiscal Years 2018 through 2022	318

7. Contributions for the Fiscal Year beginning September 1, 2012 are not available until that valuation report is completed. In the meantime, a reasonable projection of the minimum contribution for the fiscal year beginning September 1, 2012 would be \$125,000.

The accumulated benefit obligation at August 31, 2012 was \$244,075.

NOTE G - 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.

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

NOTE H - 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, 2012, the Company's uninsured cash balance was \$132,481.

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 I - RELATED PARTY TRANSACTIONS:

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

Dean Morris, LLP, (of which Wood T. Sparks is Of Counsel), earned \$140,958 for legal services performed for the Company. At August 31, 2012, \$16,380 was accrued and payable for legal services.

Webb & Webb, owned by Barry Webb, CPA, director, earned \$6,950 for accounting services performed for the Company.

Philip McQueen, secretary of the Company, is the son-in-law of Wood T. Sparks, the president of the Company.

NOTE J - 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.

NOTE K - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after

GREATER OUACHITA WATER COMPANY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2012

NOTE K - SUBSEQUENT EVENTS: (Continued)

the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through May 24, 2013, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE L - UNCERTAIN TAX POSITIONS:

The Company is subjected to examination by various taxing authorities. Management has reviewed the Company's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements.

SUPPLEMENTARY INFORMATION

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2012

	WATER SYSTEM	SEWER SYSTEM	TOTAL
<u>OPERATING REVENUE</u>			
Charges for Services	7,164,132	1,383,931	8,548,063
Late Payment Charges	96,888	24,222	121,110
Reconnect Charges	98,991	-	98,991
Sewer Inspection Fees	-	250	250
Water Connect Charges	165,240	-	165,240
Tapping Fees	109,646	19,595	129,241
<u>TOTAL OPERATING REVENUE</u>	<u>7,634,897</u>	<u>1,427,998</u>	<u>9,062,895</u>
<u>DIRECT OPERATING EXPENSES</u>			
Operating Contract	2,299,042	461,003	2,760,045
Power	451,533	276,448	727,981
Maintenance	537,506	321,537	859,043
Chemicals	266,477	130,752	397,229
Testing - Sewer	-	45,330	45,330
Engineering Services	40,276	9,036	49,312
Water Purchased	1,293,188	-	1,293,188
Water Used in Sewer Plant	-	2,251	2,251
Service and Franchise Fees	-	7,647	7,647
Right of Way	15,171	2,000	17,171
Water and Sewer Taps	31,403	1,833	33,236
<u>TOTAL DIRECT OPERATING EXPENSES</u>	<u>4,934,596</u>	<u>1,257,837</u>	<u>6,192,433</u>
<u>NET OPERATING INCOME</u>	2,700,301	170,161	2,870,462
<u>ADMINISTRATIVE EXPENSES</u>	534,136	188,002	722,138
<u>NET OPERATING PROFIT</u>	2,166,165	(17,841)	2,148,324
<u>OTHER INCOME</u>	71,553	169,303	240,856
	2,237,718	151,462	2,389,180
<u>OTHER EXPENSES</u>	532,595	512,060	1,044,655
<u>NET INCOME BEFORE AMORTIZATION AND DEPRECIATION</u>	<u>1,705,123</u>	<u>(360,598)</u>	<u>1,344,525</u>
<u>AMORTIZATION AND DEPRECIATION</u>			
Amortization of Bond Issue Exp. - 2003	2,782	696	3,478
Amortization of Bond Series - 2009	4,566	1,141	5,707
Depreciation Expense	1,287,247	639,250	1,926,497
<u>TOTAL AMORTIZATION AND DEPRECIATION</u>	<u>1,294,595</u>	<u>641,087</u>	<u>1,935,682</u>

See Independent Auditors' Report.

GREATER OUACHITA WATER COMPANY
STATEMENT OF REVENUE AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2012

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
<u>EXCESS OF REVENUES OVER EXPENSES</u>	410,528	(1,001,685)	(591,157)
Pension and Post Retirement Changes Other than Net Periodic Benefit Cost	(61,728)	(15,499)	(77,227)
<u>NET INCOME FOR THE YEAR</u>	<u>348,800</u>	<u>(1,017,184)</u>	<u>(668,384)</u>

See Independent Auditors' Report.

- 22 -

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF FUNCTIONAL EXPENSES - BY PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2012

	ADMINI- STRATIVE EXPENSES	WATER SYSTEM	SEWER SYSTEM	TOTAL
Operating Contract	-	2,299,042	461,003	2,760,045
Power	-	451,533	276,448	727,981
Maintenance	-	537,506	321,537	859,043
Chemicals	-	266,477	130,752	397,229
Testing	-	-	45,330	45,330
Water Used in Sewer Plants	-	-	2,251	2,251
Service & Franchise Fees	-	-	7,647	7,647
Right of Way	-	15,171	2,000	17,171
Accounting	18,200	-	-	18,200
Consulting Fees	38,858	-	-	38,858
Bank Charges	42,945	-	-	42,945
Dues & Subscriptions	1,014	-	-	1,014
Engineering Fees	-	40,276	9,036	49,312
Inspection & Supervision Fees	13,847	-	-	13,847
Insurance	66,157	-	-	66,157
Interest	-	467,580	467,580	935,160
Legal & Administrative	267,556	-	-	267,556
Miscellaneous	24,332	-	-	24,332
Office Expenses	12,682	-	-	12,682
Postage	3,414	-	-	3,414
Rent	2,070	-	-	2,070
Salaries	118,532	-	-	118,532
Taxes & Licenses	9,741	790	28,423	38,954
Telephone	7,255	-	-	7,255
Travel	5,986	-	-	5,986
Trustee Fees	8,200	-	-	8,200
Provision for Bad Debts	-	34,971	8,743	43,714
Interest Paid on Customer				
Accounts	-	29,254	7,314	36,568
Pension Expense	81,349	-	-	81,349
Amortization	-	7,348	1,837	9,185
Depreciation	-	1,287,247	639,250	1,926,497
<u>TOTAL</u>	<u>722,138</u>	<u>5,437,195</u>	<u>2,409,151</u>	<u>8,568,484</u>

See Independent Auditors' Report.

- 23 -

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

GREATER OUACHITA WATER COMPANY
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2012

	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
Accounting	14,560	3,640	18,200
Consulting Fees	31,086	7,772	38,858
Bank Charges	34,356	8,589	42,945
Dues & Subscriptions	811	203	1,014
Inspection & Supervision Fees	11,078	2,769	13,847
Insurance	52,926	13,231	66,157
Legal & Administrative	171,779	95,777	267,556
Miscellaneous	19,466	4,866	24,332
Office Expenses	10,146	2,536	12,682
Postage	2,731	683	3,414
Rent	1,656	414	2,070
Salaries	94,826	23,706	118,532
Taxes & Licenses	7,793	1,948	9,741
Telephone	5,804	1,451	7,255
Travel	4,789	1,197	5,986
Trustee Fees	5,250	2,950	8,200
Pension Expense	<u>65,079</u>	<u>16,270</u>	<u>81,349</u>
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>534,136</u>	<u>188,002</u>	<u>722,138</u>

See Independent Auditors' Report.

- 24 -

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

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

ROWLAND H. PERRY, CPA, APC
CHARLES L. JOHNSON, JR., CPA
VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC

PAM BATTAGLIA, CPA
TREY GIMBER, CPA



"The CPA. Never Underestimate The Value."

Certified Public Accountants

3007 Armand Street
Monroe, Louisiana 71201
Telephone (318) 322-5156 or (318) 323-1411
Facsimile (318) 323-6331

- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

May 24, 2013

INDEPENDENT AUDITORS' 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, 2012, and have issued our report thereon dated May 24, 2013. 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.

Internal Control Over Financial Reporting

Management of Greater Ouachita Water Company is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of

the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of questioned costs as item 12-1.

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
CURRENT YEAR SCHEDULE OF AUDIT FINDINGS
AUGUST 31, 2012

COMPLIANCE AND OTHER MATTERS

12-1

Criteria: The audit is required to be submitted to the Legislative Auditor within six months of the fiscal year end as per Louisiana revised statutes.

Condition: The audit report is late. The Legislative Auditor granted an extension until May 31, 2013 for the audit report to be filed.

Recommendation: We recommend the Board of Directors require the operating company to produce accurate and timely reports on a monthly basis.

Reply: The Board agrees with the finding.

INTERNAL CONTROL FINDINGS

None

See Independent Auditors' Report.

GREATER OUACHITA WATER COMPANY
CORRECTIVE ACTIONS TAKEN ON PRIOR YEAR FINDINGS
AUGUST 31, 2012

INTERNAL CONTROLS

There were no findings or recommendations in the prior year.

COMPLIANCE

There were no findings or recommendations in the prior year.

See Independent Auditors' Report.

- 28 -

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