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**West Quachita Sewerage District No. 5**  
**(A Component Unit of Ouachita Parish Police Jury)**

**Financial Statements**

**For the Years Ended August 31, 2000 and 2001**

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

Release Date 3/20/01

**WEST QUACHITA SEWERAGE DISTRICT NO. 5  
 (A COMPONENT UNIT OF QUACHITA PARISH POLICE JURY)  
 FINANCIAL STATEMENTS  
 AUGUST 31, 2003 and 2002**

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Luffey  
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*An International Accounting Corporation*  
CERTIFIED PUBLIC ACCOUNTANTS

Francis L. Huffman, CPA  
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## INDEPENDENT AUDITORS' REPORT

**Board of Commissioners  
West Ouachita Sewerage District No. 5  
West Monroe, Louisiana**

We have audited the accompanying basic financial statements of **West Ouachita Sewerage District No. 5** (the District), a component unit of Ouachita Parish Police Jury, as of and for the years ended August 31, 2003 and 2002, as listed in the accompanying Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audits 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2003 and 2002, and the results of its operations, its cash flows and changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the District has implemented the new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of September 1, 2001.

The Management's Discussion and Analysis and other required supplementary information on pages 4 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted

**Board of Commissioners  
West Ouachita Sewerage District No. 5**

principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Except for the Schedule of Insurance Coverage, this information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Insurance Coverage has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or any other form of assurance on it.



(A Professional Accounting Corporation)

January 15, 2004

**REQUIRED SUPPLEMENTAL INFORMATION**

**WEST QUACHITA SEWERAGE DISTRICT NO. 8**  
**(A Component Unit of Ouachita Parish Police Jury)**  
**Management's Discussion And Analysis**  
**For The Fiscal Year Ended August 31, 2003 And 2002**

Our discussion and analysis of the West Ouachita Sewerage District #8 (a Component Unit of Ouachita Parish Police Jury - the District) provides an overview of the District's activities for the years ended August 31, 2003 and 2002. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the District as a whole. The Statements of Cash Flows provide detail changes in cash and cash equivalents during the years presented.

**Reporting the District as a Whole**

**The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets**

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets - the difference between assets and liabilities - measure the District's financial position. The increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

**THE DISTRICT AS A WHOLE**

For the years ended August 31, 2003 and 2002, net assets changed as follows:

	<u>FYE 2003</u>	<u>FYE 2002</u>
Beginning net assets	\$ 8,054,179	\$ 8,086,897
Increase in net assets	275,120	447,482
Ending net assets	\$ <u>8,329,299</u>	\$ <u>8,534,379</u>

## THE DISTRICT'S FUNDS

The following schedule presents a summary of revenues and expenses for the fiscal year ended August 31, 2003, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues:</u>	<u>FYE 2003 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from FYE 2002</u>	<u>Percent Increase (Decrease)</u>
Coverage Fees	\$ 1,683,814	98%	\$ 4,684	3%
Inspection Fees	13,100	1%	(18,960)	(59%)
New Connection Fees	13,650	1%	1,000	8%
Miscellaneous	1,870	-	528	37%
<b>Total Revenues</b>	<b>\$ 1,711,834</b>	<b>100%</b>	<b>\$ (12,698)</b>	<b>(1%)</b>

Revenues for the District remained steady for the FYE 2003. There was a slight increase in coverage fees, mainly due to new construction of homes in the area.

<u>Expenses:</u>	<u>FYE 2003 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from FYE 2002</u>	<u>Percent Increase (Decrease)</u>
District	\$ 1,536,895	100%	\$ 149,043	11%

The District's expenses increased moderately this year. The increase in the District's expenses was due to increases in collection expense, professional fees, salaries, and utilities.

## BUDGETARY HIGHLIGHTS

The District's total revenues in fiscal year 2003 were less than the final budget by \$8,267. Actual expenses for the District in fiscal year 2003 were more than the final budget by \$37,952. This variance reflects the increases in salaries, professional fees, and utilities.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of August 31, 2003 and 2002, the District had \$15,544,200 and \$15,236,628 invested in capital assets including buildings and improvements, furniture and fixtures, equipment, and vehicles (See table below).

	<u>FYE 2003</u>	<u>FYE 2002</u>
Buildings	\$ 186,562	\$ 186,562
Furniture and fixtures	9,788	9,788
Equipment	15,196,587	14,889,823
Vehicles	151,243	151,243
Totals	<u>\$ 15,544,180</u>	<u>\$ 15,216,656</u>

This year's major additions included lines, mains, and manholes, and additional work performed on the treatment plants. Also, there were new pumps added throughout the fiscal year.

#### **Bonds**

At year end, the District had a total of \$1,239,240 in bonds payable that are comprised of revenue and general obligation bonds. The revenue bonds are secured and payable solely from the income to be derived from the operation of the system. The general obligation bonds are secured by a special tax in excess of all other taxes on all of the property subject to taxation within the territorial limits of the District. The bonds payable decreased about five percent as shown in the following table.

	<u>FYE 2003</u>	<u>FYE 2002</u>
Bonds payable	<u>\$ 1,239,240</u>	<u>\$ 1,307,590</u>

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's revenues are derived mainly from the average fees received from its customers. The District does not anticipate any major increases or decreases in the fees to its customers. The average fees may increase slightly due to new home construction and demand in the area, in which the District operates.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact J. C. "Rock" Smith, Jr., District Manager of the West Ouachita Sewerage District #5, 327 Wallace Road, West Monroe, Louisiana.



## **BASIC FINANCIAL STATEMENTS**

**WEST OUACHITA SEWER DISTRICT NO. 5**  
**STATEMENT OF NET ASSETS**

ASSETS	August 31,	
	2003	2002
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 3,355,268	\$ 3,252,500
Accounts Receivable - Customers	273,131	281,748
Prepaid Insurance	-	9,078
Inventory	3,659	17,359
Deposits	500	500
Total Current Assets	<u>3,632,549</u>	<u>3,560,977</u>
<b>Restricted Assets (Note 3)</b>		
Cash and Cash Equivalents	910,169	892,599
Customer Deposits Escrow	89,770	83,480
Total Restricted Assets	<u>999,939</u>	<u>976,079</u>
<b>Property and Equipment</b>		
Buildings and Improvements	186,562	186,562
Furniture and Fixtures	8,798	9,788
Equipment	138,497	138,497
Vehicles	151,243	151,243
Lines, Mains and Manholes	11,360,771	11,288,711
Lift Station - Pumps	1,133,811	918,810
Lift Station - Structures	1,460,409	1,460,409
Treatment Plant	1,138,909	1,092,496
Total	<u>15,548,299</u>	<u>15,238,826</u>
Less: Accumulated Depreciation	(8,679,386)	(8,278,467)
Net Depreciable Assets	<u>6,868,914</u>	<u>6,978,159</u>
Construction in Progress	98,718	197,260
Land	209,907	209,907
Total Property and Equipment	<u>7,177,429</u>	<u>7,385,326</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>11,809,927</u></b>	<b>\$ <u>11,922,362</u></b>

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

	August 31,	
	2005	2002
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
<b>Payable From Current Assets:</b>		
Accounts Payable	\$ 88,731	\$ 156,517
Payroll Taxes Payable	9,681	9,215
Total	<u>98,412</u>	<u>165,732</u>
<b>Payable From Restricted Assets:</b>		
Bonds Payable (Note 4)	128,972	127,334
Accrued Interest Payable	58,000	61,118
Customer Deposits	89,770	83,480
Total	<u>276,742</u>	<u>271,932</u>
Total Current Liabilities	375,154	437,744
<b>Long-Term Liabilities</b>		
Bonds Payable (Note 4)	<u>2,101,368</u>	<u>2,250,399</u>
Total Liabilities	2,476,428	2,687,943
<b>Net Assets</b>		
Investment in Capital Assets, Net of Related Debt	4,943,199	5,028,714
Restricted Net Assets:		
Debt Service	538,328	332,231
Street Replacement and Extension	384,863	371,897
Unrestricted Net Assets	<u>3,603,109</u>	<u>3,328,337</u>
Total Net Assets	<u>9,329,609</u>	<u>9,064,379</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,885,927</b>	<b>\$ 11,992,362</b>

**WEST OUACHITA SEWER DISTRICT NO. 5  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>Operating Income</b>		
Coverage Fees	\$ 1,683,814	\$ 1,679,130
Inspection Fees	13,100	32,800
New Connection Fees	13,650	12,650
Miscellaneous	1,078	544
Total Operating Revenues	<u>1,711,634</u>	<u>1,724,124</u>
<b>Operating Expenses</b>		
Advertising	743	2,031
Bad Debt Expense	28,292	27,023
Collection Expense	182,064	95,432
Commissions/ Fees	1,599	1,665
Depreciation	430,979	412,952
Dues and Subscriptions	343	199
Gas and Oil	12,537	13,355
Insurance	43,183	49,436
Maintenance and Repairs	302,741	302,525
Miscellaneous Expense	6,251	6,783
New Connection Tap	2,800	2,400
Office Expense	5,653	4,477
Payroll Taxes	7,408	7,876
Pensions and Retirement Expense	15,926	13,886
Postage	450	381
Professional Fees	112,921	19,479
Salaries and Wages	208,304	198,985
Taxes and Licenses	300	341
Telephone	4,325	4,252
Travel	424	-
Treatment Plant Operations	234,427	232,800
Utilities	134,364	98,552
Total Operating Expenses	<u>1,538,895</u>	<u>1,387,852</u>
<b>Operating Income</b>	174,739	336,472

(Continued)

**WEST OUACHITA SEWER DISTRICT NO. 5  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS (CONCLUDED)  
FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>Non-Operating Income (Expense)</b>		
Property Tax and Interest (Net of Pardon of \$2,504 and \$2,687 for 2003 and 2002 respectively)	\$1,194	\$0,896
Interest Revenue	90,908	76,804
Franchise Fees	10,595	-
Gain (Loss) on Disposition of Assets	-	2,938
Interest Expense	(114,768)	(120,851)
Total Nonoperating Revenues (Expenses)	<u>37,929</u>	<u>49,793</u>
<b>Net Income Before Contributions</b>	<b>302,080</b>	<b>385,672</b>
<b>Capital Contributions - Developers</b>	<u><b>71,060</b></u>	<u><b>61,870</b></u>
<b>Changes in Net Assets</b>	<b>375,130</b>	<b>447,482</b>
<b>Net Assets at Beginning of Year (Note 13)</b>	<u><b>8,854,379</b></u>	<u><b>8,406,897</b></u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>9,229,509</u></b>	<b>\$ <u>8,854,379</u></b>

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

**WEST DEACRYTA SEMER DISTRICT NO. 2**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash Flows From Operating Activities</b>		
Receipts From Customers	\$ 1,719,180	\$ 1,721,000
Other Revenue	1,078	848
Payments to Suppliers	(1,128,146)	(943,249)
Payments For Employee Services	(223,222)	(223,200)
Net Cash Provided by Operating Activities	<u>368,890</u>	<u>556,399</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Property Tax Millage	81,194	80,896
Franchise Fee	18,292	-
Net Cash Provided by Noncapital Financing Activities	<u>99,486</u>	<u>80,896</u>
<b>Cash Flows Used By Capital and Related Financing Activities</b>		
Principal Paid on Bonds	(127,310)	(113,814)
Interest Paid on Bonds	(117,888)	(123,678)
Net Cash Used by Capital and Related Financing Activities	<u>(245,198)</u>	<u>(237,492)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Capital Assets, Net	(110,992)	(215,818)
Interest Received	50,800	76,884
Proceeds From Sale of Equipment	-	5,800
Net Cash Used by Investing Activities	<u>(59,192)</u>	<u>(133,134)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	104,577	122,317
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>4,143,880</u>	<u>3,921,563</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 4,248,457</u>	<u>\$ 4,043,880</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	218,789	236,472
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>		
Depreciation	430,919	412,862
Accounts Receivable	8,617	287
Prepaid Expenses	9,978	(2,213)
Inventory	13,780	9,688
Accounts Payable	(247,740)	381,457
Payroll Taxes	686	112
Total Adjustments	<u>(84,204)</u>	<u>(11,222)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 209,673</u>	<u>\$ 1,438,898</u>

(Continued)

**WEST OUACHITA SEWER DISTRICT NO. 3  
STATEMENTS OF CASH FLOWS (CONCLUDED)  
FOR THE YEARS ENDING AUGUST 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>Supplemental Disclosure of Placash Capital Investing Activities</b>		
Contribution of Sewerage Collection System	\$ <u>75,000</u>	\$ <u>61,811</u>
<b>Cash and Cash Equivalents on the Balance Sheet as:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,355,268	\$ 3,252,261
Restricted Assets:		
Cash and Cash Equivalents	<u>910,199</u>	<u>892,299</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ <u>4,265,467</u></b>	<b>\$ <u>4,144,560</u></b>

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

**WEST QUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003 AND 2002**

**Note 1 - Summary of Significant Accounting Policies**

*A. History*

West Quachita Sewerage District No. 5 (the District), was created on January 24, 1974, by Ouachita Parish Police Jury through adoption of Ordinance No. 7388, and therefore is a component of Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District.

The District was constructed with an EPA grant, which financed 75% of the construction and engineering costs. Bonds were sold to provide the funds needed for the local share.

*B. Reporting Entity*

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 14 *The Financial Reporting Entity* establishes criteria for determining which component units of government should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners of the District, has the ability to impose its will upon the District and the District has financial dependence upon the Police Jury, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

*C. Basis of Accounting*

On September 1, 2002, the District adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and a statement of cash flows. It also requires the classification of net assets



**WEST GUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003 AND 2002**

into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

**Invested in capital assets, net of related debt** – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings attributed to the acquisition, construction, or improvement of these assets.

**Restricted Net Assets** – This component of net assets consists of those net assets which constraints have been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

**Unrestricted net assets** – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by GASB.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. Their principal operating revenues are charges to customers for services. Customers are billed monthly for services received during the month. They also recognize as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Residential, commercial, multi-housing and multi-unit services are charged \$15 per month.
  - a. The multi-housing is based on a 100% occupancy factor.
  - b. The multi-unit is based on a physical count each month.
2. Institutional billing is based on monthly water use at \$15 per 7,600 gallons used.

WEST OUCHITA SEWERAGE DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 1983 AND 1981

3. Industrial Billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

*D. Accounts Receivable*

Receivables are primarily composed of amounts due from residential customers living in the district. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The difference between the use of the direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

*E. Inventory*

Inventory consists primarily of used pumps and is valued at estimated recoverable cost as determined by specific identification method.

*F. Property and Equipment*

Upon completion of new subdivisions, developers donate their systems to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution.

Property and equipment are recorded at their total cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Buildings and Improvements	15-40 Years
Lift Station Structure	40 Years
Lift Station Pumps	20 Years
Gravity Lines, Force Mains and Manholes	40 Years
Equipment	3-20 Years
Vehicles	5 Years
Furniture and Fixtures	3-15 Years

Interest on the bonds and interim notes during the construction period through January 29, 1983, and all costs associated with the bond issue, have been added to the cost of the constructed assets and are being depreciated accordingly. Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

**WEST QUACHITTA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2000 AND 2002**

*G. Statements of Cash Flows*

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

*H. Compensated Absences*

The District's policy for paid vacations, which is non-cumulative, is as follows:

Employment 1 - 3 years	1 week per year
4 - 9 years	2 weeks per year
After 9 years	3 weeks per year

Employees accrue sick leave as follows:

Employment less than 6 months	9 days per year
6 months - 1 year	4 days per year
1 - 3 years	8 days per year
After 3 years	12 days per year

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. An employee will be compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be reasonably estimated.

*I. Reclassifications*

Minor reclassifications have been made to the prior year financial statements to make them comparable with the current year presentation.

*J. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WEST QUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003 AND 2002**

**Note 2 - Cash and Investments**

The District's cash and investments consist of petty cash, deposits with financial institutions and certificates of deposit. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by Federal deposit insurance. At August 31, 2003, the carrying amount of the District's deposits and investments was \$4,265,342. Of that amount, \$487,914 was on deposit with financial institutions. The entire bank balance was insured or collateralized by securities held by the Federal Reserve Bank in the District's name (GASB Category 1). The balance of \$3,777,428 was invested through the Louisiana Asset Management Fund (LAMP). In accordance with GASB Statement No. 31, the District has elected to account for its investments using amortized cost.

Under state law, the District may invest funds in obligations of the United States, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the LAMP, a non-profit corporation formed by a initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

In accordance with GASB Codification 190.165 the investment in LAMP at August 31, 2003, is not categorized in the three risk categories provided by GASB Codification 190.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Only local governments having contracts to participate have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

**Note 3 - Restricted Assets**

Under terms of the revenue bond indentures, the District is required to establish and maintain a bond reserve fund equal to 3% of the principal and interest payment requirements until this fund reaches \$138,894 (the highest annual debt service payable in any future year) which is fully funded. Tax collections for fiscal year 2003 and 2002 in the amounts of \$81,333 and \$90,896, respectively, were received from a special tax

**WEST QUACHITA SEWERAGE DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002**

assessment in 2003 and 2002 of 2.25 and 2.75 mills, respectively. This tax assessment is restricted for the payment of general obligation bond principal and interest. In addition, \$710 a month must be transferred to a sewer replacement and extension fund and one-tenth of the current year's principal and interest on revenue bonds must be deposited monthly into a bond and interest redemption fund.

Restricted assets were composed of the following:

	<u>Total</u>	<u>Cash and Option Accounts</u>	<u>Louisiana Asset Management Program</u>
<b>August 31, 2003:</b>			
Bond and Interest			
Redemption Fund	\$ 246,694	\$ 246,694	\$ -
Bond Reserve Fund	178,613	47,383	226,226
Sewer Replacement And Extension Fund	<u>184,863</u>	<u>31,547</u>	<u>312,316</u>
<b>TOTALS</b>	<b>\$ 610,168</b>	<b>\$ 345,628</b>	<b>\$ 564,542</b>

	<u>Total</u>	<u>Cash and Option Accounts</u>	<u>Louisiana Asset Management Program</u>
<b>August 31, 2002:</b>			
Bond and Interest			
Redemption Fund	\$ 252,889	\$ 252,889	\$ -
Bond Reserve Fund	267,713	38,328	228,185
Sewer Replacement And Extension Fund	<u>371,897</u>	<u>42,863</u>	<u>328,934</u>
<b>TOTALS</b>	<b>\$ 892,599</b>	<b>\$ 334,080</b>	<b>\$ 557,119</b>

Effective October, 1992, the District began collecting \$29 from each new customer in the District as a refundable deposit. As of August 31, 2003 and 2002, customer deposits totaled \$88,770 and \$83,488, respectively. These deposits were being held by M/N Utilities, the company that bills and collects the sewer user fees for the District.

**WEST ORACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003 AND 2002**

**Note 4 - Bonds Payable**

Bonds in the amount of \$2,250,240 and \$2,357,593 at August 31, 2003 and 2002, respectively, consist of the following individual issues:

1. Revenue bonds (1977 issue and 1985 issue) in the amount of \$1,330,240 and \$1,617,593 at August 31, 2003 and 2002 respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on April 12th. These bonds are secured and payable solely from the income to be derived from the operation of the system after provision has been made for payment of the reasonable and necessary expenses for administration, operation and maintenance.
2. General obligation bonds in the amount of \$900,000 and \$740,000, at August 31, 2003 and 2002, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on December 12th. These bonds are secured by a special tax in excess of all other taxes on all the property subject to taxation within the territorial limits of the District, under the constitution and laws of Louisiana, sufficient in amount to pay the principal and interest thereon.

Maturity schedules consist of the following:

Revenue Bonds (1977 Issue)		Revenue Bonds (1985 Issue)		General Obligation Bonds	
Maturity Dates	Principal	Maturity Dates	Principal	Maturity Dates	Principal
April 12,		April 12,		December 12,	
2004	\$ 55,000	2004	\$ 33,972	2004	\$ 40,000
2005	60,000	2005	35,671	2005	45,000
2006	65,000	2006	37,454	2006	45,000
2007	65,000	2007	38,327	2007	50,000
2008	70,000	2008	41,293	2008	50,000
2009-2017	805,000	2008-2018	32,521	2008-2018	670,000
	<u>\$ 1,120,000</u>		<u>\$ 210,240</u>		<u>\$ 900,000</u>

The aggregate principal payments and sinking fund requirements of indebtedness, including interest of \$901,829 are as follows:

**WEST QUACHITA SEWERAGE DISTRICT NO. 8  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2002 AND 2003**

Fiscal Year	Sinking Fund Requirements
2004	\$ 240,484
2005	245,734
2006	245,484
2007	244,944
2008	244,234
2009-2013	1,021,649
2014-2018	<u>829,300</u>
	<u>\$ 3,112,669</u>

**Note 5 - Property Taxes**

A tax on real property and business personal property located within the boundaries of the District is levied by the District. Property taxes are levied by the District on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property Tax Calendar

Assessment Date	January 1, 2002
Levy Date	November 15, 2002
Tax Bills Mailed	November 16, 2002
Total Taxes Are Due	December 31, 2002
Penalties and Interest Are Added	January 1, 2003
Lien Date	May 1, 2003
Tax Sale - 2003 Delinquent Property	June 30, 2003

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

All property within the District was assessed 2.25 mills in 2002 for the payment of general obligation bond principal and interest of the District.

**WEST QUACHITA SEWERAGE DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002**

**Note 6 - Long-Term Leases**

On August 1, 1984, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. The lease contains a renewal option for one additional 15 year term. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$124,417 and \$125,000 for the years ended August 31, 2003 and 2002, respectively. The agreement also provides for the sharing of costs to upgrade the facility during the term of the lease.

**Note 7 - Commissioners' Fees**

The members of the Board of Commissioners are paid \$40 per regular meeting and \$25 per special meeting. Payments during the year ended August 31, 2003, were as follows:

<u>Commissioner</u>	<u>Regular Meetings</u>	<u>Special Meetings</u>	<u>Compensation</u>
Johnny Hubert - President	12	2	\$ 518
Jerry Burrows - Vice President	12	2	518
Fred Hall - Secretary	12	2	518
Total			<u>\$ 1,554</u>

**Note 8 - Franchise Fee**

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$14,585 and \$0 for the years ended August 31, 2003 and 2002, respectively. The District changed the timing of recognizing the franchise fee income to coincide with the recognition of property taxes.

**Note 9 - Defined Benefit Pension Plan**

Substantially all employees of the District participate in the Parochial Employees' Retirement System of Louisiana (the System), a defined benefit, multiple-employer public employee retirement system. All full-time employees of the District are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service, age 55 with 25 years of credited service, or with 30 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life.



**WEST QUACHITA SEWERAGE DISTRICT NO. 8**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2003 AND 2002**

equal to 3 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the highest thirty-six consecutive months of credited service. The system also provides death and disability benefits. Benefits are established by state statute.

*Funding Policy:* Contributions to the System include one-fourth of one percent of the taxes shown to be collected by the tax rolls of each parish (excepting Orleans and East Baton Rouge). State statutes require covered employees to contribute a percentage of their salary into the System. The District's contribution is determined by an actuarial valuation and is subject to change each year based on the results of the valuation for the previous year. For the calendar year 2003, covered employees were required to contribute 9.58% of their salary to the plan. The District was required to contribute 7.25% of employee salaries to the plan. The District's contributions to the plan were \$15,926, \$15,088 and \$13,642, for the years ended August 31, 2003, 2002 and 2001 respectively.

The system issues an annual, publicly available financial report that includes financial statements and required supplementary information covering the System. The report may be obtained by writing the Parochial Employees' Retirement System, P. O. Box 1-9619, Baton Rouge, LA 70808-9619 or by calling (504) 938-1361.

**Note 10 - Related Party Transactions**

The District is covered by certain umbrella insurance policies including liability and property, worker's compensation and group health insurance policies through the Police Jury. During 2002 and 2001 the District paid the Police Jury \$43,190 and \$48,436, respectively for this coverage for each of those years.

**Note 11 - Risk Financing Activities**

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 that is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate coverage of \$2,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had approximately \$1,983,718 and \$2,014,089 in assets as of December 31, 2003 and 2002 respectively. The District contributed \$11,634 and \$18,156 into the fund during the years ended August 31, 2003 and 2002 respectively.

**WEST QUACHITA SEWERAGE DISTRICT NO. 8  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002**

**Note 12 - Concentration of Risk**

All of the accounts receivable represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$20 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect \$ 273,131.

**Note 13 - Restatement of Beginning Fund Equity to Beginning Net Assets**

The beginning Net Assets at September 1, 2001, as reflected in the statement of revenues, expenses, and changes in net assets, has been restated to reflect the implementation of GASB Statement 34. The following schedule reconciles September 1, 2001 fund equity, as previously reported, to beginning net assets as restated.

Retained Earnings at September 1, 2001	\$	3,517,886
Restated For:		
Contributed Capital - Federal Government, Net of Grant Amortization of \$4,817,561		(3,511,673)
Contributed Capital - Developers and Others		1,377,318
Total Net Assets - Restated	\$	<u>8,683,531</u>

## Supplemental Information

**West Okauchita Sewerage District No. 5**  
**Schedule of Changes in Restricted Assets**  
**For The Year Ended August 31, 2000**

	Bond and Interest Redemption	Revenue Bond Reserve	New Replacement and Extension Funds	Total
<b>Balance - September 1, 1999</b>	\$ 252,989	\$ 167,714	\$ 371,897	\$ 792,600
<b>Add:</b>				
Property Tax Collections and Interest	41,535	-	-	41,535
Transfer From Operating Account	136,800	7,799	8,500	153,109
Interest Earned	1,467	3,899	4,645	8,911
<b>Total Funds Available</b>	<u>432,851</u>	<u>179,612</u>	<u>384,992</u>	<u>1,007,455</u>
<b>Less:</b>				
Payment of Principal and Interest	<u>(246,234)</u>	<u>-</u>	<u>-</u>	<u>(246,234)</u>
<b>BALANCE - AUGUST 31, 2000</b>	<u>\$ 186,617</u>	<u>\$ 179,612</u>	<u>\$ 384,992</u>	<u>\$ 751,221</u>

The above schedule does not reflect the Customer Deposits Escrow of \$89,770 included in restricted assets at August 31, 2000.

**WEST QUACHITA SEWERAGE DISTRICT NO. 3**  
**SCHEDULE OF INSURANCE COVERAGE**  
**AUGUST 31, 2003**  
**UNAUDITED**

Property or Risk And Insurance Company	Kind of Insurance And Term	Maximum Coverage
Employees Midwest Employers Casualty Co.	Workmen's Compensation Employer's Liability 1/1/03 to 1/1/04	Statutory *
Multi-Peril RLI Insurance Co.	Excess Coverage on Real and Personal Property 327 Wallace	\$1,000,000* Aggregate
Executive Risk Spec. Ins. Co.	Fire, E.C. & VMM, 90% 1/1/2003 to 1/1/2004	\$ 50,000
Multi-Peril Executive Risk Spec. Ins. Co.	Comprehensive General Liability Equipment Replacement 1/1/03 to 1/1/04	\$2,000,000 - Aggregate * \$1,000,000 - Per Occurrence
Vehicles Executive Risk Spec. Ins. Co.	Liability Collision Comprehensive Uninsured Motorist 1/1/03 to 1/1/04	\$1,000,000 * \$500 Deduct. ACV \$1,000,000
3 Commissioners and All Employees Executive Risk Spec. Ins. Co.	Fidelity Bond 3/31/03 to 3/31/04	\$500,000
Multi-Peril Executive Risk Spec. Ins. Co.	Building and Personal Property 327 Wallace Fire, E.C. & VMM, 90% 1/1/03 to 1/1/04	\$1,000,000 - * Per Occurrence

(Continued)

**WEST QUACHITA SEWERAGE DISTRICT NO. 5**  
**SCHEDULE OF INSURANCE COVERAGE (Continued)**  
**AUGUST 31, 2002**  
**UNAUDITED**

<u>Property or Risk And Insurance Company</u>	<u>Kind of Insurance and Term</u>	<u>Maximum Coverage</u>
3 Commissioners and All Employees Executive Risk Spec. Ins. Co.	Public Officials 1/1/00 to 1/1/04	\$3,000,000 * \$25,000 Deduct

This schedule, prepared from the policies, is intended only as a descriptive summary; no expression of opinion as to the adequacy of coverage is intended.

\* Policy is covering the Ouachita Parish Police Jury, which includes West Ouachita Sewerage District No. 5.



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

**Board of Commissioners  
West Ouachita Sewerage District No. 5  
West Monroe, Louisiana**

We have audited the basic financial statements of West Ouachita Sewerage District No. 5, West Monroe Louisiana (the District) (a component unit of Ouachita Parish Police-Jury) as of and for the year ended August 31, 2003, and have issued our report thereon dated January 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

**Compliance**

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

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be considered material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

**West Ouachita Sewerage District No. 5  
West Monroe, Louisiana**

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 over financial reporting and its operation that we consider to be a material weakness. However, we did note one immaterial item which was reported to Management of the District in a separate letter.

This report is intended for the information of management of the District, its primary government and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

January 15, 2004



**WEST QUACHITA SEWERAGE DISTRICT NO. 5**  
**West Monroe, Louisiana**  
**SUMMARY STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings and questioned costs or management letter comments.



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## **MANAGEMENT LETTER**

**Board of Commissioners  
West Ouachita Sewerage District No. 5  
327 Wallace Road  
West Monroe, Louisiana 71291**

In planning and performing our audit of the basic financial statements of the West Ouachita Sewerage District No. 5 (a component unit of Ouachita Parish Police Jury) (the District) for the years ended August 31, 2003 and 2002, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated January 15, 2004 on the basic financial statements of the District.

### **1. Cash Disbursements**

#### **Finding:**

As part of our audit, we tested the internal control over cash disbursements by examining forty checks chosen at random from the District's 639 checks. Our test revealed that all but three of the checks did not have the approval of the District's Manager. It is the District's policy that the District Manager initial all invoices approving them for payment.

#### **Recommendation:**

We recommend that the disbursement policy adopted by the Board be followed for all purchases made.

West Quachita Sewerage District No. 5  
Management Letter  
Page 2 of 2

**Management's Corrective Action Plan:**

The District Manager will review and initial all invoices to be paid, as per the disbursement Policy adopted by the Board of Commissioners, beginning January 2004.



(A Professional Accounting Corporation)

January 15, 2004