

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana**

**Annual Financial Statements
December 31, 2003 and 2002**

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

Release Date 7-28-04

**Mount Vernon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Annual Financial Statements
December 31, 2001 and 2002
With Supplemental Information Schedules

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MEMBER
A.C.P.A.

MEMBER
I.C.P.A.

Board of Commissioners
Mt. Hermon Water District
Washington Parish Council
Mt. Hermon, Louisiana

Commissioners:

I have audited the accompanying financial statements of business-type activities of the Mt. Hermon Water District, Mt. Hermon, Louisiana, a component unit of the Washington Parish Council, as of December 31, 2003 and 2002, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Commissioners. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing 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. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Mt. Hermon Water District. The information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In my opinion, the financial statements and supplemental information referred to in the above paragraphs, present fairly, in all material respects, the financial position of the business-type activities of the Mt. Hermon Water District, as of December 31, 2003 and 2002, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 11, 2004, on my consideration of the Mt. Hermon Water District's internal control over financial reporting and my 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 my audit.

Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.



William R. Darden, CPA

June 11, 2004

Management's Discussion and Analysis

**Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Management's Discussion and Analysis

Introduction

Mount Herman Water District is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets for the year were \$1,412,963 at December 31, 2003, and exceeded liabilities in the amount of \$493,014 (i.e., net assets). Of the total net assets, \$27,831 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service.
- User fee revenues (water sales) for the fiscal year ending December 31, 2003 remained relatively constant increasing to \$96,735 representing an approximate 2.04% increase from the total user fees of \$94,513 for the fiscal year ending December 31, 2002. One of the reasons for the stability in total water sales was that there was only a small increase in the number of customers from December 31, 2002 to December 31, 2003.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than interest expense and other non-operating expenses, increased by \$3,600 (3.12% increase) as compared to the prior fiscal year, totaling \$91,812 for the fiscal year ended December 31, 2003. The largest components of the increase in operating expenses were a \$2,908 increase in audit and accounting fees and a \$1,188 increase in utilities expense.
- Total long term debt decreased from \$712,390 at December 31, 2002, to \$703,248 at December 31, 2003. The decrease is due primarily to the payment of principal on the outstanding bond.

**Blount Harmon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Management's Discussion and Analysis

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Blount Harmon Water District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operations of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether Blount Harmon Water District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for judging the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

**Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Management's Discussion and Analysis

Condensed Balance Sheet

	December 31, 2000	December 31, 1999	Dollar Change	Percent Change
Current and Other Assets	\$ 79,860	\$ 66,922	\$ 12,938	19.33%
Capital Assets	1,373,898	1,373,978	(80)	-0.00%
Total Assets	\$ 1,453,758	\$ 1,440,900	\$ 12,858	0.89%
Long-Term Debt Outstanding	\$ 783,268	\$ 712,390	\$ 70,878	9.95%
Other Liabilities	18,681	14,184	4,497	31.70%
Total Liabilities	\$ 801,949	\$ 726,574	\$ 75,375	10.39%
Invested in Capital Assets, Net of Related Debt	608,630	668,412	(59,782)	-8.95%
Restricted for Capital Activity and Debt Service	32,763	28,974	3,789	13.08%
Unassigned	27,621	16,908	10,713	63.40%
Total Net Assets	\$ 651,809	\$ 714,326	\$ (62,517)	-8.75%
Total Liabilities and Net Assets	\$ 1,453,758	\$ 1,440,900	\$ 12,858	0.89%

The major components-of change for "Current and Other Assets" is a \$9,457 increase in operating cash and a \$4,681 increase in restricted cash, less decreases in receivables and other current assets.

"Capital Assets" decreased by \$80, reflecting depreciation expense charged for the fiscal year ending December 31, 2000.

The decrease in "Long-Term Debt Outstanding" of \$70,878 is due to payment of principal on the existing water revenue bond for the District. A more detailed analysis of the changes in long-term debt is included in a following section entitled "Long-Term Debt Activity".

"Other Liabilities" increased by \$4,497, at 31.7% increase compared to the prior year.

"Total Net Assets" (total assets less total liabilities) decreased by \$62,517 for the fiscal year ending December 31, 2000, with the major reason for the decrease being the depreciation expense charged on assets, as noted above.

**Mount Herman Water District
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Washington Parish Council
Franklin, Louisiana**

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31, 2003	Year Ended December 31, 2002	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 183,863	\$ 181,393	\$ 2,470	1.34%
Nonoperating Revenues	286	648	(362)	-57.81%
Total Revenues	184,149	182,041	2,108	1.16%
Expenses:				
Depreciation Expense	40,880	40,080	-	0.00%
Other Operating Expense	31,832	49,230	5,681	12.12%
Nonoperating Expense	31,373	35,814	(4,441)	-12.4%
Total Expenses	103,085	125,124	5,158	4.12%
Income (Loss) Before Contributions	(21,214)	(19,896)	(1,318)	
Capital Contributions	(98)	-	(98)	
Income (Loss) Before Price Period Adjustment	(21,312)	(19,896)	(1,416)	
Price Period Adjustment	-	(2,987)	2,987	
Change in Net Assets	(21,312)	(22,795)	(1,483)	
Beginning Net Assets	714,336	737,131	(22,795)	
Ending Net Assets	\$ 693,024	\$ 714,336	\$ (21,312)	

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how Mount Herman Water District is being conservatively managed. Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) and "Non-Operating Revenues" (consisting of interest income and bad debt recovery) remained fairly constant, as did the number of customers served by the District. For the category of expenses most controllable by the District, "Other Operating Expenses", there was a \$1,601 increase from the prior year with the main components consisting of a \$1,900 increase in audit and accounting fees and a \$1,789 increase in utilities expense. The final category, "Non-operating Expense" includes interest expense which decreased by \$443 from the prior fiscal year.

The District showed a "Loss Before Contributions" of \$21,214 for the fiscal year ended December 31, 2003, as compared to a loss of \$19,896 for the fiscal year ended December 31, 2002.

Mount Hermon Water District
of the
Parish of Washington, Louisiana
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Management's Discussion and Analysis

Budgetary Highlights

Mount Hermon Water District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule I - Budgetary Comparison Schedule", as supplementary information.

Budget vs. Actual - Fiscal Year Ended December 31, 2003

	Budget Year Ended December 31, 2003	Actual Year Ended December 31, 2003	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 102,280	\$ 103,861	\$ 1,581
Non-operating	180	286	(106)
Total Revenues	102,460	104,071	1,614
Operating Expenses:			
Accounting	3,080	3,280	(200)
Bad Debt	180	499	(319)
Depreciation	49,080	48,080	980
Director Fees	3,000	3,080	-
Insurance	2,808	3,173	365
Legal & Professional	-	2,990	(2,990)
Maintenance Supplies	420	-	420
Miscellaneous	24	3	21
Office Expenses	58	-	58
Operations & Maintenance Contract	36,608	32,976	(3,632)
Repairs & Maintenance	608	51	559
Soft Drinking Water	318	173	145
Truck Expense	128	176	(148)
Utilities	4,808	6,368	(1,560)
Total Operating Expenses	85,618	91,912	(6,292)
Non-Operating Expenses:			
Interest Expense	36,258	35,173	811
Total Non-Operating Expenses	36,258	35,173	811
Total Expenses	121,888	127,085	(5,402)
Income (Loss) Before Capital Contributions	\$ (19,400)	\$ (23,214)	\$ (4,114)

**Moussé Hermann Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Management's Discussion and Analysis

There was no significant variation between budgeted and actual "Operating" and "Non-operating Revenues" for the fiscal year ending December 31, 2000.

Budgeted "Operating Expenses" were \$6,282 higher than projected, primarily because of increases in legal and professional fees, and in utilities expense.

Other Significant Trends and Account Changes

Included within this section is a listing and analysis of general trends and operating data affecting the operation of the District, followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2001	December 31, 2002	Increase (Decrease)
Customers			
Residential	304	296	8
Commercial	5	8	(3)
Total	309	304	5

The above table shows an increase of five customers from the prior fiscal year.

**Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Management's Discussion and Analysis

Other Significant Trends and Account Changes (Continued)

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal year ending December 31, 2001, and 2000.

	Year Ended December 31, 2001	Year Ended December 31, 2000	Increase (Decrease)
0 - 30 Days Past Due	\$ 1,875	\$ 1,865	\$ (100)
31 - 60 Days Past Due	417	411	6
61 - 90 Days Past Due	62	95	(33)
Over 90 Days Past Due	80	214	(134)
Total Accounts Receivable for Water (Before Allowance for Bad Debt)	\$ 2,434	\$ 2,527	\$ (93)

The above table shows a decrease in accounts past due for all categories except "31-60 Days Past Due" which remained relatively constant.

Capital Assets

At the end of the fiscal year ending December 31, 2001, Mount Herman Water District had \$1,273,876 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, the District's investment for storage for water system equipment and supplies, and land owned by the District. The changes in capital assets are presented in the table below.

	December 31, 2001	December 31, 2000	Dollar Change	Percent Change
Land	\$ 1,890	\$ 1,890	-	0.00%
Water Distribution System	1,805,212	1,693,212	-	0.00%
Subtotal	1,807,102	1,695,102	-	0.00%
Less: Accumulated Depreciation	(533,226)	(421,224)	(112,002)	(17.15%)
Net Capital Assets	\$ 1,273,876	\$ 1,273,878	\$ (202)	(0.02%)

The decrease of \$40,000 in capital assets is attributable to depreciation charged on capital assets for the fiscal year ending December 31, 2001.

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
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Franklinton, Louisiana**

Management's Discussion and Analysis

Long-Term Debt Activity

The primary source of long-term financing for Mount Hermon Water District water system improvements is a revenue bond issued by the United States Department of Agriculture, Rural Utilities Service (RUS). The note issue consists of 1994 Water Revenue bonds with a principal balance of \$700,028 at December 31, 2003. These bonds mature on February 8, 2006 and were issued at an interest rate of 5.0%, with a term of 40 years.

Bonds issued for Mount Hermon Water District require a specific debt to net income ratio. Specifically, bond covenants require:

The issuer, Mount Hermon Water District, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any party bonds issued thereafter.

For the fiscal year ending December 31, 2003, the bond debt coverage factor was 125%, which is above the percentage required by the bond covenant of 120%, as compared to 126% for the fiscal year ending December 31, 2002.

Future Economic Plans

The Mount Hermon Water District's management approach is conservative. The Board of Commissioners actively monitor revenues and expenses and approve rate increases only when necessary to pay operating expenses and fund water revenue bond requirements.

FINANCIAL STATEMENTS

Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana

Statement A

Balance Sheet
December 31, 2003 and 2002

Assets	2003	2002
	<u>2003</u>	<u>(Revised)</u>
Current Assets:		
Cash	\$ 22,093	\$ 11,498
Accounts Receivable (Net)	3,878	7,827
Advanced Billings	4,229	4,109
Prepaid Insurance	418	378
Total Current Assets	<u>31,576</u>	<u>25,812</u>
Restricted Assets:		
Cash - Customer Meter Deposits	8,893	8,885
Cash - SWS Depreciation & Contingency Fund	17,877	15,511
Cash - SWS Bond Reserve Fund	31,128	75,412
Total Restricted Assets	<u>58,898</u>	<u>100,818</u>
Property, Plant and Equipment:		
Land	3,890	3,890
Water System	1,680,212	1,800,212
Total Property, Plant and Equipment	<u>1,684,102</u>	<u>1,804,102</u>
Less: Accumulated Depreciation	<u>(371,268)</u>	<u>(213,124)</u>
Net Property, Plant and Equipment	<u>1,312,834</u>	<u>1,590,978</u>
Other Assets:		
Utility Deposits	228	228
Total Other Assets	<u>228</u>	<u>228</u>
Total Assets	<u>\$ 1,412,963</u>	<u>\$ 1,448,280</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Misset Hornum Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Statement A

**Balance Sheet
December 31, 2002 and 2001**

Liabilities and Fund Equity	2002	
Liabilities	2001	(Reste)
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 1,815	\$ 2,178
Accrued Auditing Fees	2,980	2,980
Sales Tax Payable	49	319
Other Payables	588	484
Total Current Liabilities (Payable From Current Assets)	<u>5,632</u>	<u>6,881</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits Payable	6,251	5,915
Current BUS Bond Payable	9,671	9,811
Accrued BUS Bond Interest	2,216	2,047
Total Current Liabilities (Payable From Restricted Assets)	<u>18,548</u>	<u>17,773</u>
Long-Term Liabilities:		
BUS Bonds Payable	<u>893,791</u>	<u>781,379</u>
Total Long-Term Liabilities	<u>893,791</u>	<u>781,379</u>
Total Liabilities	<u>711,969</u>	<u>726,534</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	610,618	668,452
Restricted for Capital Activity and Debt Service	22,767	28,974
Unrestricted	<u>27,621</u>	<u>18,980</u>
Total Net Assets	<u>661,006</u>	<u>716,406</u>
Total Liabilities and Net Assets	<u>\$ 1,312,963</u>	<u>\$ 1,448,940</u>

(Continued)

The accompanying notes are an integral part of these statements.

Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

	2003	2002
	2003	(Revised)
Operating Revenues		
Water Rates	\$ 95,118	\$ 94,213
Installation Fees	1,575	4,183
Fees	2,118	1,948
Miscellaneous Revenues	994	313
Total Operating Revenues	<u>100,805</u>	<u>101,257</u>
Operating Expenses		
Accounting	1,280	2,800
Bad Debt	499	179
Depreciation Expense	49,080	48,080
Insurance	2,173	2,846
Legal & Professional Fees	2,980	-
Maintenance Supplies	-	408
Miscellaneous	3	14
Office Expense	-	32
Operations and Maintenance - Contract	32,978	31,224
Parish - Board Members	1,800	1,800
Repairs and Maintenance	31	800
Sale Drinking Water	133	258
Travel Expense	135	187
Utilities	6,360	4,511
Total Operating Expenses	<u>99,922</u>	<u>88,311</u>
Operating Income (Loss)	<u>11,993</u>	<u>13,280</u>
Non-Operating Revenues (Expenses)		
Interest Income	166	181
Recovery of Bad Debts	40	107
Interest Expense	-35,373	-35,836
Total Non-Operating Revenues (Expenses)	<u>-35,167</u>	<u>-35,548</u>

(Continued)

The accompanying notes are an integral part of these statements.

Metairie Stormwater District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

Income (Loss) Before Contributions and Prior Period Adjustments	\$	-23,214	\$	-19,890
Prior Period Adjustment		-		-2,980
Income (Loss) Before Contributions		<u>-23,214</u>		<u>-22,798</u>
Capital Contributions		98		-
Change in Net Assets		<u>-23,116</u>		<u>-22,798</u>
Net Assets, Beginning of Year		714,326		737,122
Net Assets, End of Year	\$	<u>691,210</u>	\$	<u>714,324</u>

The accompanying notes are an integral part of these statements.

Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana

Statement C

Statement of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows From Operating Activities		
Received From Customers	\$ 101,348	\$ 98,412
Received (Paid) for Meter Deposit Fees	898	1,368
Paid for Operations	(47,981)	(41,664)
Net Cash Flows From Operating Activities	54,265	58,116
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	46	312
Net Cash Flows From Noncapital Financing Activities	46	312
Cash Flows From Capital and Related Financing Activities		
Returns of Capital Contributions	-98	-90
Paid for Capital Acquisitions		
Principal Payments - Long-Term Debt	(6,121)	(6,288)
Interest Payments - Long-Term Debt	(32,228)	(38,122)
Net Cash Flows From Capital and Related Financing Activities	(38,447)	(44,600)
Cash Flows From Investing Activities		
Receipt of Interest and Dividends	366	302
Net Cash Flows From Investment Activities	366	302
Net Change in Cash and Cash Equivalents	16,184	13,218
Cash and Cash Equivalents - Beginning of Year	24,280	41,062
Cash and Cash Equivalents - End of Year	\$ 40,464	\$ 54,280

(Continued)

The accompanying notes are an integral part of these statements.

Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
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Statement C

Statement of Cash Flows
Years Ended December 31, 2003 and 2002

Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

Cash	18,508	19,431
Restricted Cash	18,614	14,978
Cash and Cash Equivalents - End of Year	\$ 37,122	\$ 34,409

Reconciliation of Operating Income to Net Cash Flows From Operating Activities

Operating Income (Loss)	\$ 11,953	\$ 13,289
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Depreciation Expense	48,088	46,888
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	2,183	-3,988
Decrease (Increase) in Prepaid Insurance	-182	-216
Increase (Decrease) in Accounts Payable	3,476	83
Increase (Decrease) in Inter Deposit Payable	898	541
Increase (Decrease) in Other Payables	52	1,965
Net Cash Flows From Operating Activities	\$ 66,468	\$ 60,562

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2000**

Introduction

Mount Hermon Water District of the Parish of Washington, State of Louisiana was established July 21, 1986, by an act of the Washington Parish Council. The ordinance, enacted pursuant to Chapter 8 of Title 15 of the Louisiana Revised Statutes of 1958, and other constitutional and statutory authority supplemented thereto, describes and defines the boundaries of the water district, and provides for a 3-member governing board of commissioners appointed by the Washington Parish Council.

Mount Hermon Water District was first created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the powers and privileges granted by the constitution and statutes of this state to such subdivisions, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Construction of the water system plant and equipment for the water system was financed under a loan/guarantee program from the United States Rural Utilities Service (RUS) office, with completion completed in March, 1997. Mount Hermon Water District, as of December 31, 2000, serves 309 water customers. The District contracts for operation and maintenance of the water system, including billings of water customers, to an outside agent.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within its reporting entity. Under provisions of this Statement, the Mount Hermon Water District is considered a component unit of Washington Parish Council.

I. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of its Committee On Accounting Procedures, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Non-exchange Transactions*, that require capital contributions to the District to be presented as a change in net assets.

**Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus describes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water in rural areas of Washington Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statutes (R.S.) 31:2953 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost.
- The District has investments in one investment pool. The investment pool is LAMP, and the fair value of the position in the pool is the same as the value of the pool shares.
- There is no involuntary participation in an external investment pool.

At December 31, 2003, Mount Hermon Water District had no investments.

D. Inventories

Purchases of various operating supplies are reported as expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the Catastrophe Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined, as assets with an initial individual cost of more than \$10K, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all depreciable fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 - 30 years
Equipment & Furniture	5 - 10 years
Water System	20 - 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Mount Hermon Water District
of the
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Franklinton, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

At December 31, 2003, the District did not have employees that accumulate or vest benefits.

I. Long-term Liabilities

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Net Assets

GAAP Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as detailed below:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of "invested in capital assets, net of related debt". Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - 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".

K. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

2. Cash and Cash Equivalents

At December 31, 2003, the District had cash and cash equivalents (book balances) totaling \$48,124, in Demand Deposits at one bank.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the District had \$65,489 in collected bank balances, protected by \$108,080 of federal deposit insurance.

Even though the pledged securities are considered un-collateralized (Category 7) under the provisions of GASB Statement 3, Louisiana Revised Statute 79:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Receivables

The following is a summary of receivables at December 31, 2003:

Current	\$	1,078
11 - 60		457
61 - 90		62
Over 90		77
Total	\$	<u>1,674</u>

All customer receivables are reported at gross value and are periodically reduced by the portion that is expected to be un-collectible. The board of commissioners of the Mount Hermon Water District reviews past due accounts and authorizes the write-off of un-collectible amounts directly against the accounts receivable account. At fiscal year-end, the District had not established an allowance for un-collectible accounts, since the amount of un-collectible accounts at December 31, 2003, was determined to be immaterial.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following close of the fiscal year. At December 31, 2003 Mount Hermon Water District accrued accrued billings of \$4,125.

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

4. Restricted Assets

Restricted assets were applicable to the following at December 31, 2003:

	December 31, 2003
Cash-RUS Bond Reserve	\$ 17,877
Cash-RUS Depreciation and Contingency	21,799
Total Restricted Assets	\$ 39,676

5. Fixed Assets

A summary of fixed assets at December 31, 2003, follows:

	Balance December 31, 2002	Additions and Reservations	Deletions and Reservations	Balance December 31, 2003
Land	\$ 1,890	-	\$ -	\$ 1,890
Water Distribution System	1,603,212	-	-	1,603,212
Total Capital Assets	1,605,102	-	-	1,605,102
Less: Accumulated Depreciation	(233,124)	(18,080)	-	(251,204)
Net Capital Assets	\$ 1,371,978	\$ (18,080)	\$ -	\$ 1,353,898

The water system, financed under the United States Department of Agriculture, Rural Utilities Service Loan/Guarantee program, became operational in March of 1997. Equipment, furniture, and fixtures are depreciated using the useful lives of 2 to 10 years, and the water distribution system uses a useful life of 80 years. All assets are depreciated by the straight-line method. Total depreciation expense of \$48,080 was recorded for the fiscal year ending December 31, 2003.

6. Long-Term Liabilities

The following is a summary of the long-term liability transactions during the year:

Description	Long-Term Liabilities Beginning of Year	Additions	Deletions	Long-Term Liabilities End of Year	Due Within One Year
1998 Water Revenue Bonds	\$ 712,998	\$ -	\$ (9,122)	\$ 703,876	\$ 5,477

**Mount Herman Water District
of the
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Washington Parish Council
Franklin, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2005**

Bonds Payable at December 31, 2005, are comprised of the following current and long-term amounts:

	Current Amount (\$231,600)	Long-Term Amount (\$231,600)	Total Principal Balance (\$463,200)
1996 Revenue Bonds:			
\$754,000 utility bonds, dated 3/28/96, due in monthly installments of \$3,781 through Feb. 6, 2016, interest at 5.0%	\$ 9,477	\$ 691,700	\$ 701,177

The annual requirements to amortize all debt outstanding as of December 31, 2005, including interest payments of \$755,704 are as follows:

Year Ending December 31,	1996 RLS Water Revenue Bonds \$754,000
2004	\$ 44,434
2005	44,434
2006	44,434
2007	44,434
2008	44,434
2009-2013	222,130
2014-2018	222,130
2019-2023	222,130
2024-2028	222,130
2029-2033	222,130
2034-2036	96,252
Total	<u>\$ 1,428,972</u>

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

7. Flow of Funds, Restrictions on Use

As of December 31, 2003, Mount Hermon Water District, had one Rural Utilities Service (RUS) Revenue Bond. The total bond amount of \$714,800 was issued February 8, 1996, at an interest rate of 7.0%. The original bond resolution specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) The issuer, Mount Hermon Water District, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to receive the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

For the fiscal year ending December 31, 2003, the bond debt coverage factor was 125%, which is above the percentage required by the bond covenant of 120%, as compared to 126% for the fiscal year ending December 31, 2002.

- b) The establishment and maintenance of a "Water Bond and Interest Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The actual creation of a sinking fund was not required since the District pays required bond installments directly to Rural Utilities Service, on a monthly basis. At December 31, 2003, Mount Hermon Water District had made the required monthly installments.

- c) The establishment of the "Water Revenue Bond Reserve Fund" (the Reserve Fund) by transferring from the Water Revenue Fund, the opening account of the District, monthly in advance on or before the 20th of each month a sum at least equal to five per cent (5%) of the amount to be paid each month for bond principal and interest payments. The actual amount to be transferred for bonds outstanding at December 31, 2003, per the RUS Letter of Conditions, was a total of \$185 per month. Deposit of funds shall continue until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements of any succeeding twelve month period.

**Mount Vernon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Foschtville, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

The money in the Reserve Fund is required to be retained solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service office, for which there would otherwise be default. Deposits to the Reserve Fund were required in connection with the receipt following completion and acceptance of the improvements and extensions financed with the proceeds of the bonds. The system improvements financed with the 1996 Revenue Bonds became revenue producing during March 1997.

The District made all of the required deposits to the Reserve Fund, maintaining a balance of \$28,718, at December 31, 2003.

- d) The establishment and maintenance of the "Water Depreciation and Contingency Fund" (the Contingency Fund) to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund, the operating account of the District, monthly in advance on or before the 30th of each month the sum of \$150 per month. Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

The District made all of the required deposits to the Depreciation and Contingency Fund, maintaining a balance of \$17,873, at December 31, 2003.

- e) The District, in the original bond resolution also obligated itself to abide by the following covenants:
1. The District will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within fifteen days from the date on which such charges became delinquent.
 2. A penalty of 10% will be charged on all delinquent accounts, and interest at a reasonable rate as established by the District, as well as payment of a reasonable reconnect charge for the resumption of service.
 3. The District agrees to maintain the System in first class repair and working order and condition.
 4. The District will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.
 5. The District will maintain separate and correct records and accounts, and will have the books audited no later than three months after the end of the fiscal year.
 6. The District will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the District may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.

**Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2003**

7. The District will not, except as provided by this bond resolution, voluntarily create or cause to be created any debt, lien, pledge, mortgage, assignment, or any other charges having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security therefor.
8. That, to the extent permitted by law, the District will not grant a franchise to any utility for operation within the boundaries of the District.
9. In operation of the System, the District will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.

The current rate schedule, the schedule of insurance coverage (Item #4) and fidelity bond coverage (Item #7) are disclosed in the "Supplemental Information" schedules included as a part of this report.

8. Restricted and Designated Net Assets

At December 31, 2003, Mount Herman Water District recorded 202,763 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants. Restricted Net Assets are recorded net of any liability relating to these assets, although for the fiscal year ending December 31, 2003, liabilities were not recorded relating to Restricted Net Assets. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

9. Prior Period Adjustments

Prior period adjustments were made to correct the beginning Net Assets balance. The adjustments were made to correct the account for each item for the prior fiscal year ending December 31, 2002. The correction to the beginning Net Asset balance is as follows:

Date	Description	Amount
12/31/02	Net Asset Balance, Before Prior Period Adjustment	\$ 717,226
	Prior Period Adjustments:	
12/31/02	-Correcting Auditing Fee	(2,963)
12/31/02	Net Asset Balance, After Prior Period Adjustment	<u>\$ 714,263</u>

Mount Herman Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2000

10. Water System Management

The water district is operated under a contract with an outside party. The contract management provides services for operation and maintenance of the system, including billing services for the water district.

SUPPLEMENTAL INFORMATION

**Mount Vernon Water District
of the
Parish of Washington, Louisiana
Madison Parish Council
Franklin, Louisiana**

Schedule 1

**Budgetary Comparison Schedule
For the Year Ended December 31, 2003
With Comparative Amounts for the Fiscal Year Ended December 31, 2002**

	2003	2002	Variance- Favorable	2002
	Budget	Actual	(Unfavorable)	Actual
Operating Revenues				
Water Sales	\$ 96,000	\$ 96,758	\$ 758	\$ 94,111
Installation Fees	1,600	1,075	525	4,195
Fees/Charges	1,800	2,128	328	1,968
Rate Drinking Water Fees	170	0	-170	-
Miscellaneous Revenue	110	664	554	111
Total Operating Revenues	<u>100,780</u>	<u>101,625</u>	<u>1,285</u>	<u>100,385</u>
Operating Expenses				
Accounting	1,800	1,200	600	2,880
Bond Debt	300	400	-100	176
Depreciation Expense	48,000	48,000	-	48,000
Insurance	2,800	2,715	223	1,800
Legal & Professional	0	2,900	-2,900	-
Maintenance/Supplies	400	0	428	498
Miscellaneous	24	1	22	14
Office Expense	30	0	38	50
Operations and Maintenance	10,800	10,476	3,974	11,254
Permits - Board Members	1,800	1,800	-	1,000
Repairs and Maintenance	600	31	569	600
Rate Drinking Water	206	333	127	150
Travel Expense	120	126	14	187
Utilities	4,800	4,280	1,550	4,171
Total Operating Expense	<u>85,820</u>	<u>81,931</u>	<u>4,385</u>	<u>86,111</u>
Operating Income (Loss)	<u>14,960</u>	<u>19,694</u>	<u>-4,697</u>	<u>14,274</u>

(Continued)

The accompanying notes are an integral part of these statements.

Mount Vernon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana

Schedule I

**Budgetary Comparison Schedule
For the Year Ended December 31, 2002**

With Comparative Amounts for the Fiscal Year Ended December 31, 2001

	2002 Budget	2002 Actual	Variance- Favorable (Unfavorable)	2001 Actual
Interest Income	\$ 100	\$ 100	\$ -	\$ 100
Recovery of Bad Debts	100	40	-60	107
Interest Expense	-36,258	-35,073	1,185	-33,818
Total Non-Operating Revenues (Expenses)	-35,058	-34,973	885	-33,718
Income (Loss) Before Contributions and Prior Period Adjustments	-35,058	-35,073	-15	-33,898
Prior Period Adjustment	-	-	-	-2,890
Income (Loss) Before Contributions	-35,058	-35,073	-15	-36,788
Capital Contributions	0	0	0	-
Change in Net Assets	-35,058	-35,073	-15	-36,788
Net Assets, Beginning of Year	714,316	714,316	-	710,528
Net Assets, End of Year	\$ 679,258	\$ 679,243	\$ -15	\$ 673,740

(continued)

The accompanying notes are an integral part of these statements.

**Mount Harmon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Schedule 2

**Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2003**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

NAME	AMOUNT
Bill Green, President	\$ 600
Ernesta Roberts, Vice-President	600
Buddy Holman, Secretary/Treasurer	600
Arant Vernon, Board Member	600
Gary Frazier	600
	<u>\$ 3,000</u>

BOARD OF COMMISSIONERS	ADDRESS	TERM OF OFFICE
Bill Green, President	38809 Bonnie Morris Rd Mt. Harmon, LA 70450 (983) 871-0903	Expires Dec. 31, 2004
Ernesta Roberts, Vice-President	36810 Thomas Cypre Rd. Mt. Harmon, LA 70450 (983) 871-3091	Expires Dec. 31, 2004
Buddy Holman, Secretary/Treasurer	35890 Hwy. 18 Mt. Harmon, LA 70450 (983) 871-4581	Expires Dec. 31, 2005
Arant Vernon, Board Member	27285 Mt. Pigeon Rd. Mt. Harmon, LA 70450 (983) 871-0824	Expires Dec. 31, 2005
Gary Frazier, Board Member	35483 Cook Butler Rd Mt. Harmon, LA 70450 (983) 871-0618	Expires Dec. 31, 2005

The accompanying notes are an integral part of these statements.

**Mount Harmon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklin, Louisiana**

Schedule 3

**Schedule of Insurance
For the Year Ended December 31, 2003**

Insurance Company	Coverage	Amount	Period
American Central Insurance Company Policy # CD39686642	General Aggregate Limit (other than Products/Completed Operations)	\$ 100,000	1/01/03 - 12/31/04
	Products/Completed Operations Aggregate Limit	\$ 200,000	
	Personal and Advertising Injury	\$ 100,000	
	Each Occurrence Limit	\$ 100,000	
	Fire Damage Limit	\$ 100,000	
	Medical Expenses	\$ 5,000	
		\$ 5,000	
CNA Surety Policy # 48443798	Public Official Position Schedule Board: President	\$ 50,000	1/01/96 Until Cancelled
	Secretary-Treasurer	\$ 50,000	
American Central Insurance Company Policy # CD39686642	Building	\$ 5,000	1/1/03 - 12/31/04
	Personal Property	\$ 75,000	

The accompanying notes are an integral part of these statements.

**Mount Hermon Water District
of the
Parish of Washington, Louisiana
Washington Parish Council
Franklinton, Louisiana**

Schedule II

**Schedule of Water Customers
For the Year Ended December 31, 2003**

As of December 31, 2003, Mount Hermon Water District had the following number of customers:

Residential	184
Commercial	2
Total Customers	<u>186</u>

**Schedule of Water Rates
For the Year Ended December 31, 2003**

At December 31, 2003, Mount Hermon Water District had adopted the following rate schedule:

Category of Service	Rate/yr.
Residential:	
First 3,000 gallons	\$ 11.00
Over 3,000 gallons	\$ 3.23 per 1,000 gallons
Commercial:	
First 20,000 gallons	\$ 30.00
Over 20,000 gallons	\$ 3.23 per 1,000 gallons

The accompanying notes are an integral part of these statements.

**SUMMARY OF PRIOR YEAR FINDINGS
AND
MANAGEMENT'S CORRECTIVE ACTION PLAN**

St. Herman Water District
Washington Parish Council
St. Herman, Louisiana

Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2003

Section I-Internal Control and Compliance Material to the Financial Statements:

No Prior-year Findings for Section I.

Section II-Management Letter:

No Prior-year Findings for Section II.

W. Harmon Water District
Washington Parish Council
Mt. Hermos, Louisiana

Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2009

Section I-Internal Control and Compliance Material to the Financial Statements:

No Findings for Section I.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL

WILLIAM R. DURDEN
Certified Public Accountant

1001 11TH AVENUE
FRANKLINTON, LOUISIANA 70438
504/838-4113
FAX 504/838-4400

MEMBER
AIC.P.A.

MEMBER
C.P.A.

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

Board of Commissioners
Mt. Hermon Water District
Washington Parish Council
Mt. Hermon, Louisiana

I have audited the financial statements of the Mt. Hermon Water District (a component unit of the Washington Parish Council) of and for the year ended December 31, 2003, and have issued my report thereon dated June 11, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mt. Hermon Water District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, which non-compliance with 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 my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mt. Hermon Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness.

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 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. I noted no matters involving the internal control over financial reporting and its operation that I considered to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners of the St. Hermon Water District, the Washington Parish Council, the State of Louisiana Legislative Auditor, and the USDA Rural Utility Service. However, this report is a matter of public record, and its distribution is not limited.



William R. Dunbar
William R. Dunbar
Certified Public Accountant

June 11, 2004