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WEST ALLEN PARISH WATER DISTRICT
Reeves, Louisiana

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORTS

Year Ended December 31, 2003

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

Release Date 5.12.04

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WEST ALLEN PARISH WATER DISTRICT
Reeves, Louisiana

Management's Discussion and Analysis

Within this section of the West Allen Parish Water District's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2003. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceeded its liabilities by \$1,105,622 (net assets) for the fiscal year reported.
- Total revenues of \$213,805 exceeded total expenditures of \$196,808, which resulted in a current year surplus of \$16,997. This is better than last year, when revenues were short of expenditures by \$13,854.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$400,267 include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
 - (2) Restricted for debt service of \$53,153.
 - (3) Restricted for construction of a new well of \$426,047.
 - (4) Unrestricted net assets of \$226,155.
- At the end of the current fiscal year, unreserved net assets was 115% of total expenditures and 106% of total revenues.
- In August 2003, the District increased its rates charged to customers to eliminate operating losses and to fund the additional debt issued to fund the construction of a new well. As a result of this rate increase, charges for services revenue increased by \$30,714 for the fiscal year reported.
- In August 2003, the District issued \$585,000 in revenue bonds plus added \$220,409 of its savings funds to pay off the prior bonds of \$365,409 and to fund the new well construction of \$440,000.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

WEST ALLEN PARISH WATER DISTRICT
Reeves, Louisiana

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data for the prior year is presented.

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

WEST ALLEN PARISH WATER DISTRICT
Reeves, Louisiana

Management's Discussion and Analysis (Continued)

Financial Analysis of the District as a Whole

The District implemented the new financial reporting model used in this report beginning with the current fiscal year ended December 31, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at fiscal year-end are \$1,105,622. The following table provides a summary of the District's net assets:

	<u>2003</u>	<u>2002</u>
Assets:		
Current assets	\$ 709,486	\$ 463,145
Capital assets	985,267	1,023,609
Other assets	<u>19,629</u>	<u>5,929</u>
Total assets	<u>1,714,382</u>	<u>1,492,683</u>
Liabilities:		
Current liabilities	44,760	46,058
Long-term liabilities	<u>564,000</u>	<u>358,000</u>
Total liabilities	<u>608,760</u>	<u>404,058</u>
Net assets:		
Investment in capital assets, net of debt	400,267	652,609
Restricted	479,200	69,450
Unrestricted	<u>226,155</u>	<u>366,566</u>
Total net assets	<u>\$ 1,105,622</u>	<u>\$ 1,088,625</u>

80% of the District's net assets are tied up in capital assets and restricted net assets for capital assets. The District uses these capital assets to provide services to its customers.

The Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) experienced an increase of \$409,750 in 2003 due mainly to the issuance of the new revenue bonds in August 2003.

WEST ALLEN PARISH WATER DISTRICT
Reeves, Louisiana

Management's Discussion and Analysis (Continued)

The following table provides a summary of the District's changes in net assets:

	<u>2003</u>	<u>2002</u>
Operating Revenues	\$ 204,680	\$ 172,118
Nonoperating Revenues	<u>6,125</u>	<u>23,341</u>
Total Revenues	210,805	195,459
Depreciation Expense	48,288	51,114
Other Operating Expenses	131,220	143,106
Nonoperating Expenses	<u>17,300</u>	<u>18,618</u>
Total Expenses	<u>196,808</u>	<u>212,838</u>
Income (Loss) before Capital Contributions	13,997	(17,379)
Capital Contributions	<u>3,000</u>	<u>3,525</u>
Change in Net Assets	16,997	(13,854)
Beginning Net Assets	<u>1,088,625</u>	<u>1,102,479</u>
Ending Net Assets	<u>\$ 1,105,622</u>	<u>\$ 1,088,625</u>

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of December 31, 2003, was \$985,267. See Note C for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2003</u>	<u>2002</u>
Nondepreciable assets-land	<u>\$ 16,122</u>	<u>\$ 16,122</u>
Depreciable assets:		
Distribution system	1,534,076	1,524,132
Buildings	103,619	103,619
Equipment	<u>132,786</u>	<u>132,786</u>
Total depreciable assets	1,770,481	1,760,535
Less accumulated depreciation	<u>801,336</u>	<u>753,048</u>
Book value-depreciable assets	<u>\$ 969,145</u>	<u>\$ 1,007,487</u>
Percentage depreciated	45%	43%
Book value-all assets	<u>\$ 985,267</u>	<u>\$ 1,023,609</u>

WEST ALLEN PARISH WATER DISTRICT
Reeves, Louisiana

Management's Discussion and Analysis (Continued)

The major addition to the distribution system account is a line addition at a total cost of \$9,946.

Long-Term Debt

At the end of the fiscal year, the District had total debt obligations outstanding of \$585,000. During the year, the District issued \$585,000 of new obligations and retired \$358,000 of the outstanding debt balance. See Note D for additional information regarding long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District's office, Mr. Samuel Dunnehoo, Manager at (337) 666-2589.



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

February 20, 2004

Board of Commissioners
West Allen Parish Water District
Reeves, Louisiana

We have audited the financial statements of the West Allen Parish Water District, a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the West Allen Parish Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Allen Parish Water District as of December 31, 2003, and the results of its operations and the cash flows for the year then ended in conformity with auditing standards generally accepted in the United States of America.

As described in Note A to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, as of July 1, 2001. This results in a change in the format and content of the financial statements.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Statement of Revenues, Expenses and Changes in Net Assets-Budget and Actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2004 on our consideration of West Allen Parish Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

Gragson, Casiday & Guillory

WEST ALLEN PARISH WATER DISTRICT

Statement of Net Assets

December 31, 2003

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets		
Cash	\$ 187,290	\$ 348,109
Receivables		
Accounts	19,889	13,725
Interest	170	770
Prepaid insurance	2,336	2,336
Restricted assets		
Construction		
Cash	426,047	-
Bond sinking fund		
Cash	31,307	25,311
Bond reserve fund		
Cash	-	32,822
Interest receivable	-	176
Bond contingency fund		
Cash	28,312	26,218
Interest receivable	100	78
Customer deposits		
Cash	<u>14,035</u>	<u>13,600</u>
Total current assets	709,486	463,145
Property, plant and equipment, at cost, net of accumulated depreciation of \$801,336 for 2003	985,267	1,023,609
Other assets		
Bond issue costs, net of accumulated amortization of \$574 for 2003	<u>19,629</u>	<u>5,929</u>
TOTAL ASSETS	<u>\$ 1,714,382</u>	<u>\$ 1,492,683</u>

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

Continued

	<u>2003</u>	<u>2002</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 3,159	\$ 4,303
Payable from restricted assets		
Current portion of revenue bonds	21,000	13,000
Accrued interest	6,566	15,155
Customer deposits	<u>14,035</u>	<u>13,600</u>
Total Current Liabilities	44,760	46,058
Long-term debt, net of current portion	<u>564,000</u>	<u>358,000</u>
TOTAL LIABILITIES	<u>608,760</u>	<u>404,058</u>
NET ASSETS		
Invested capital, net of related debt	400,267	652,609
Restricted for debt service	53,153	69,450
Restricted for construction	426,047	-
Unrestricted	<u>226,155</u>	<u>366,566</u>
TOTAL NET ASSETS	<u>1,105,622</u>	<u>1,088,625</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,714,382</u>	<u>\$ 1,492,683</u>

WEST ALLEN PARISH WATER DISTRICT

Statement of Revenues, Expenses
and Changes in Net Assets

Year Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Charges for services	\$ 191,770	\$ 161,056
Miscellaneous revenue	12,910	11,062
TOTAL OPERATING REVENUES	<u>204,680</u>	<u>172,118</u>
OPERATING EXPENSES		
Advertising	839	804
Amortization	574	313
Bank charges	49	62
Depreciation	48,288	51,114
Dues	-	235
Insurance - general	11,468	13,367
Insurance - health	1,536	2,110
Miscellaneous	521	3,026
Office	2,893	3,624
Per diem	6,780	6,540
Postage	2,899	2,486
Professional fees	2,000	3,170
Retirement	2,731	3,244
Salaries	63,883	62,954
Supplies and maintenance	13,239	21,006
Taxes and licenses	2,034	2,885
Telephone	3,203	4,340
Training	758	701
Transportation	5,941	4,654
Utilities	9,872	7,585
TOTAL OPERATING EXPENSES	<u>179,508</u>	<u>194,220</u>
OPERATING INCOME (LOSS)	<u>25,172</u>	<u>(22,102)</u>
NON-OPERATING REVENUES (EXPENSES)		
Gain on sale of fixed assets	-	12,761
Interest income	6,125	10,580
Interest expense	(17,300)	(18,618)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(11,175)</u>	<u>4,723</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	13,997	(17,379)
CAPITAL CONTRIBUTIONS	<u>3,000</u>	<u>3,525</u>
CHANGE IN NET ASSETS	16,997	(13,854)
NET ASSETS - BEGINNING	<u>1,088,625</u>	<u>1,102,479</u>
NET ASSETS - ENDING	<u>\$ 1,105,622</u>	<u>\$ 1,088,625</u>

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

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WEST ALLEN PARISH WATER DISTRICT

Statement of Cash Flows

Year Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 198,516	\$ 173,892
Cash payments to suppliers for goods and services	(75,307)	(78,606)
Cash payments to employees for services	<u>(63,883)</u>	<u>(62,954)</u>
NET CASH FROM OPERATING ACTIVITIES	59,326	32,332
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	3,000	3,525
Proceeds from sale of fixed assets	-	22,560
Purchase of fixed assets	(9,946)	(19,619)
Principal paid on revenue bonds	(371,000)	(12,000)
Proceeds from bonds borrowings	585,000	-
Payment of bond issuance costs	(14,274)	-
Interest paid on revenue bonds	<u>(17,300)</u>	<u>(18,618)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>175,480</u>	<u>(24,152)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of cash investments	306,250	-
Purchase of cash investments	-	(6,039)
Interest on investments	<u>6,125</u>	<u>10,580</u>
NET CASH FROM INVESTING ACTIVITIES	<u>312,375</u>	<u>4,541</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	547,181	12,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>74,595</u>	<u>61,874</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 621,776</u>	<u>\$ 74,595</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 25,889</u>	<u>\$ 19,150</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO TOTAL CASH		
Cash and cash equivalents	\$ 621,776	\$ 74,595
Non-cash equivalents	<u>65,215</u>	<u>371,465</u>
Total Cash	<u>\$ 686,991</u>	<u>\$ 446,060</u>

Continued

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

WEST ALLEN PARISH WATER DISTRICT

Statement of Cash Flows - Continued

Year Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 25,172	\$ (22,102)
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	574	313
Depreciation	48,288	51,114
(Increase) decrease in		
Accounts receivable	(6,164)	1,774
Interest receivable	754	233
Increase (decrease) in		
Accounts payable	(1,144)	376
Rent deposits	435	1,156
Accrued interest payable	<u>(8,589)</u>	<u>(532)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>59,326</u>	<u>32,332</u>

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

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Allen Parish Water District was created by the Allen Parish Police Jury under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing water to the rural area of West Allen Parish. The District is governed by a board of commissioners composed of seven members, five appointed by the Allen Parish Police Jury and two appointed by the Village of Reeves, LA.

1. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Allen Parish Police Jury is the financial reporting entity for West Allen Parish Water District. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Allen Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

Continued

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority to the board and has the ability to impose its will, the District was determined to be a component unit of the Allen Parish Police Jury, the financial reporting entity. The accompanying 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 the governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Basis of Presentation

The accompanying financial statements of the West Allen Parish Water District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999. For the District, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the District are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the District has elected to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

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. The operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. 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 nonoperating revenues and expenses.

GRAGSON, CASIDAY & GULLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. 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, 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.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

4. Accounts Receivable

Uncollectible amounts due for accounts receivable are recognized as bad debts using the direct write-off method. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District's ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

Continued

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Capital Assets

All fixed assets are valued at historical cost. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of each class of depreciable property is computed using the straight-line method. Estimated useful lives are as follows:

Distribution system	50 years
Office and shop building	10-15 years
Equipment	5-7 years

6. Compensated Absences

The District has the following policy relating to vacation and sick leave:

- Vacation - One week after 1 year of service,
- Two weeks after 2 years of service,
- Three weeks after 10 years of service,
- Four weeks after 15 years of service,

- Sick Leave - 10 days per year,
- Maximum of 30 days may be carried over to the next year.

The District's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Continued

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 16 also provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2003, the District did not have an accrual for compensated absences.

7. Statement of Cash Flow

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$621,776 which represents unrestricted and restricted amounts of \$155,031 and \$466,745, respectively.

8. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

Continued

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Net Assets

In the financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

10. Bond Issue Cost

Revenue bond issuance costs are deferred and is being amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Amortization expense is \$574 for the year ended December 31, 2003.

11. Use of Estimates

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

12. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE B - CASH DEPOSITS

At December 31, 2003, the District has cash balances (book balances) totaling \$686,841 as follows:

Demand deposits	\$ 41,344
Interest-bearing demand deposits	580,282
Time deposits	<u>65,215</u>
 Total	 <u>\$ 686,841</u>

These deposits are stated at cost, which approximates market. 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 has \$690,578 in deposits (collected bank balances). These deposits are secured from risk by \$145,711 of federal deposit insurance and \$544,867 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 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.

NOTE C - PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment for the year ended December 31, 2003 are as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Distribution system	\$ 1,524,130	\$ 9,946	\$ -	\$ 1,534,076
Office and shop building	103,619	-	-	103,619
Equipment	132,786	-	-	132,786
Land	<u>16,122</u>	-	-	<u>16,122</u>
	1,776,657	<u>\$ 9,946</u>	<u>\$ -</u>	1,786,603
Less accumulated depreciation	<u>753,048</u>			<u>801,336</u>
 TOTALS	 <u>\$ 1,023,609</u>			 <u>\$ 985,267</u>

Depreciation expense was \$48,288 for the year ended December 31, 2003.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE D - LONG-TERM DEBT

The following is a summary of bond transactions of the District for the year ended December 31, 2003.

Bonds payable, Beginning	\$ 371,000
Bonds issued	585,000
Bonds retired	<u>371,000</u>
Bonds payable, Ending	<u>\$ 585,000</u>

Bonds payable at December 31, 2003 are comprised of the following individual issues:

Revenue bonds	
\$145,000 Revenue Bonds dated 8/1/03; due in annual installments of \$8,000 - \$19,000 through March 1, 2013; interest at 3.5%	\$ 145,000
\$440,000 Revenue Bonds dated 10/1/03; due in annual installments of \$13,000-\$39,000 through March 1, 2018, interest at 4.0%	<u>440,000</u>
	<u>\$ 585,000</u>

The District issued the above revenue bonds to refund the existing series 1980 revenue bonds. The refunding was undertaken to reduce total future debt service payments and to fund the construction of a new well. The reacquisition price was equal to the net carrying amount of the old debt, therefore no deferred gain or loss has been recorded.

The utilization of the bond proceeds was as follows:

Proceeds from bonds issued	\$ 585,000
District funds	<u>220,409</u>
Total proceeds	<u>\$ 805,409</u>
Principal payment on old bonds	\$ 358,000
Interest payment on old bonds	7,409
Deposited to a restricted construction cash account	<u>440,000</u>
Total disbursements	<u>\$ 805,409</u>

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE D - LONG-TERM DEBT - CONTINUED

The annual requirements to amortize all debts outstanding as of December 31, 2003 are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>
2004	\$ 21,000	\$ 9,194
2005	37,000	19,755
2006	38,000	18,855
2007	39,000	17,920
2008	40,000	16,945
2009-2013	231,000	63,075
2014-2018	179,000	22,080

The revenue bonds are to be retired from revenues derived from the operation of the District.

NOTE E - COMPONENTS OF RESTRICTED NET ASSETS

	<u>Revenue Bond Sinking</u>	<u>Revenue Bond Contingency</u>	<u>Customer Deposits</u>	<u>Totals</u>
Cash and interest receivable	<u>\$ 31,307</u>	<u>\$ 28,412</u>	<u>\$ 14,035</u>	<u>\$ 73,754</u>

Certain proceeds of 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. The "bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

The amount of net assets reserved for debt service is detailed as follows:

Restricted assets: revenue bond sinking and contingency funds	\$ 59,719
Less:	
Accrued interest, payable from restricted assets	<u>6,566</u>
Net assets reserved for debt service	<u>\$ 53,153</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE F - RETIREMENT COMMITMENTS

The District contributed to a pension plan through the National Rural Water Association (NRWA) for all eligible employees through September 20, 1999. On September 20, 1999 NRWA discontinued sponsorship of the plan and the District terminated the plan on that date. The District approved continued contributions to individual retirement accounts of all previously eligible employees as defined under the terminated plan. These contributions are on-behalf payments to which the District is not legally responsible. Total payroll for the District was \$63,883 and total payroll for covered employees was \$39,015.

Covered employees may contribute up to 10.0% of their total compensation. The District may contribute up to 7.0% of total compensation. Total contributions made by the District and employees were \$2,731 and \$1,170, respectively.

Eligibility requirements consist of minimum age of 21, twelve months of service and 1,000 hours worked. Participants are immediately fully vested.

NOTE G - PER DIEM

In accordance with Louisiana Revised Statute 33:3819, per diem is allowed not to exceed \$60 per meeting attended, up to twenty-four regular meetings and twelve special meetings. The Board has approved per diem at \$60.

Per diem paid commissioners for the year ended December 31, 2003 were as follows:

Airhart, Russell	\$ 60
Butts, Wayne	1,080
Hoffpauir, Billie M.	960
Savoie, Jimmy	1,080
Schultz, Kurt	360
Taylor, Clyde	1,080
Thigpen, Carl	1,080
Thombley, Kitty	<u>1,080</u>
	<u>\$ 6,780</u>

WEST ALLEN PARISH WATER DISTRICT

Notes to Financial Statements

December 31, 2003

NOTE H - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

WEST ALLEN PARISH WATER DISTRICT

Statement of Revenues, Expenses and Changes in
Net Assets - Budget and Actual

Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 160,000	\$ 191,770	\$ 31,770
Miscellaneous revenue	8,200	15,910	7,710
TOTAL OPERATING REVENUES	<u>168,200</u>	<u>207,680</u>	<u>39,480</u>
OPERATING EXPENSES			
Advertising	1,000	839	161
Amortization	-	574	(574)
Bank charges	-	49	(49)
Depreciation	50,000	48,288	1,712
Dues	150	-	150
Insurance - general	16,000	11,468	4,532
Insurance - health	1,416	1,536	(120)
Miscellaneous	500	521	(21)
Office	3,200	2,893	307
Per diem	7,560	6,780	780
Postage	2,500	2,899	(399)
Professional fees	2,500	2,000	500
Retirement	2,700	2,731	(31)
Salaries	65,000	63,883	1,117
Supplies	13,500	13,239	261
Taxes	200	2,034	(1,834)
Telephone	3,400	3,203	197
Training	1,200	758	442
Transportation	4,500	5,941	(1,441)
Utilities	6,500	9,872	(3,372)
TOTAL OPERATING EXPENSES	<u>181,826</u>	<u>179,508</u>	<u>2,318</u>
OPERATING INCOME (LOSS)	<u>(13,626)</u>	<u>28,172</u>	<u>41,798</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	8,000	6,125	(1,875)
Interest expense	(24,000)	(17,300)	6,700
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(16,000)</u>	<u>(11,175)</u>	<u>4,825</u>
CHANGE IN NET ASSETS	<u>(29,626)</u>	<u>16,997</u>	<u>46,623</u>
NET ASSETS - BEGINNING	<u>1,088,625</u>	<u>1,088,625</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 1,058,999</u>	<u>\$ 1,105,622</u>	<u>\$ 46,623</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE BOURNE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.

JULIA W. PORTUS, C.P.A.
DAWN REDD, C.P.A.
MELONIE H. HIMEL, C.P.A.

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

February 20, 2004

Board of Commissioners
West Allen Parish Water District
Reeves, Louisiana

We have audited the financial statements of the West Allen Parish Water District, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 West Allen Parish Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Allen Parish Water District's internal control structure over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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 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 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 material weaknesses.

Board of Commissioners
West Allen Parish Water District
Page Two

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

Gragson, Casiday & Guillory

WEST ALLEN PARISH WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2003

1. Summary of Auditors' Results:

- a) Auditor issued an unqualified opinion on the financial statements.
- b) There were no reportable conditions in internal control over financial reporting and its operation that were disclosed by the audit of the financial statements.
- c) There were no noncompliance which is material to the financial statements that was disclosed by the audit of the financial statements.

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None