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Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

(A Component unit of the West Baton Rouge Parish Council)

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

June 30, 2004 and 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 1-12-05

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**WATERWORKS DISTRICT NUMBER 4  
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Management of Water Works District Number 4 of West Baton Rouge Parish (the District) has prepared this Discussion and Analysis. The Discussion and Analysis presents a narrative overview and analysis of the District's financial activities as of and for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently know facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- \* The District's assets exceeded its liabilities at the close of fiscal year 2004 by \$2,498,746 which represents a 6.1% increase from last fiscal year. Of this amount, \$1,146,773 (unrestricted net assets) may be used to meet the District's ongoing obligations to its customers.
  
- \* The District's operating income decreased by \$3,452 (or 1.9%) and net income decreased by \$11,582. The main causes of the decreases were a large repair made to the District's production facilities and a reduction in the rate earned on investments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts: Management discussion and analysis, basic financial statements and supplementary information. The basic financial statements present information for the District and is designed to make the statements easier to understand. The basic financial statements consists of the District's financial statements and notes to the financial statements.

**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 Balance Sheets, Statements of Revenues and Expenses, Statements of Changes in Net Assets, and Statements of Cash Flows.

The Balance Sheet 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.

**WATERWORKS DISTRICT NUMBER 4  
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

**BASIC FINANCIAL STATEMENTS - CONTINUED**

The Statement of Revenues and Expenses and the Statement of Changes in Net Assets present 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 Statement of Cash Flows 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.

**FINANCIAL ANALYSIS OF THE ENTITY**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 1,540,534	\$ 1,456,374	\$ 1,305,117
Capital assets	<u>2,340,760</u>	<u>2,301,268</u>	<u>2,317,566</u>
Total assets	\$ <u>3,881,294</u>	\$ <u>3,757,642</u>	\$ <u>3,622,683</u>
Other liabilities	\$ 184,421	\$ 164,160	\$ 146,701
Long-term debt liabilities	<u>1,198,127</u>	<u>1,237,955</u>	<u>1,275,256</u>
Total liabilities	<u>1,382,548</u>	<u>1,402,115</u>	<u>1,421,957</u>
Net assets:			
Invested capital assets, net of debt	1,152,841	1,075,108	1,056,932
Restricted	199,132	189,546	179,853
Unrestricted	<u>1,146,773</u>	<u>1,090,873</u>	<u>963,941</u>
Total net assets	<u>2,498,746</u>	<u>2,355,527</u>	<u>2,200,726</u>
Total liabilities and net assets	\$ <u>3,881,294</u>	\$ <u>3,757,642</u>	\$ <u>3,622,683</u>

**WATERWORKS DISTRICT NUMBER 4  
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

**FINANCIAL ANALYSIS OF THE ENTITY - CONTINUED**

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District increased by \$143,219, or 1.9%, from June 30, 2003 to June 30, 2004.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 516,243	\$ 499,529	\$ 493,653
Operating expenses	<u>334,842</u>	<u>314,676</u>	<u>337,091</u>
Operating income (loss)	181,401	184,853	156,562
Non-operating revenues (expenses)	<u>(38,182)</u>	<u>(30,052)</u>	<u>(30,827)</u>
Net increase (decrease) in net assets	\$ <u>143,219</u>	\$ <u>154,801</u>	\$ <u>125,735</u>

**CAPITAL ASSET AND DEBT ADMINISTRATIONS**

**Capital Assets**

As of June 30, 2004, the District had \$2,340,760, net of accumulated depreciation, invested in capital assets, including land, right of ways, and plant and distribution system. This amount represents a net increase (including additions and deductions) of \$39,492, or 1.7%, over last year.

**WATERWORKS DISTRICT NUMBER 4  
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

**Capital Assets - Continued**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Plant and Distribution System	\$ 4,020,990	\$ 3,874,303	\$ 3,787,218
Less Accumulated Depreciation	<u>1,680,230</u>	<u>1,573,035</u>	<u>1,469,652</u>
Net	<u>\$ 2,340,760</u>	<u>\$ 2,301,268</u>	<u>\$ 2,317,566</u>

This year's significant capital additions included above were:

* Distribution systems	\$ 117,970
* Generator	\$ 28,717

**Debt**

The District had \$1,736,000 in bonds outstanding at year-end, compared to \$1,828,000 last year, a decrease of 5.0%. A summary of this debt is shown in the table below.

**Outstanding Debt at Year-end**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue Bond	\$ 1,187,919	\$ 1,226,160	\$ 1,260,634

The District's Water Works Revenue Bond dated July 8, 1982 is unrated.

**WATERWORKS DISTRICT NUMBER 4  
OF WEST BATON ROUGE PARISH, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

**CONTRACTING THE DISTRICT'S MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sylvia Truxillo, Secretary, Waterworks District Number 4 of West Baton Rouge Parish Louisiana. Ms. Truxillo can be reached by phone at (225) 336-2406.



**CALVIN L. ROBBINS, JR.**

**CERTIFIED PUBLIC ACCOUNTANT**  
(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

To the Board of Commissioners  
Water Works District Number 4  
of West Baton Rouge Parish, Louisiana  
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the years ended June 30, 2004 and 2003 listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Water District. 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 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water Works District Number 4, of West Baton Rouge Parish as of June 30, 2004 and 2003. And the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In the course of my audit, nothing came to my attention that caused me to believe there has been any lack of compliance with the accounting or reporting requirements of the bond ordinance under which outstanding revenue bonds have been issued.




Water Works District Number 4

In accordance with Government Auditing Standards, I have issued my report dated November 29, 2004 on my consideration of the Water Works District Number 4 of West Baton Rouge Parish Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages i through v, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana. Such information, except for the Schedule of Insurance Coverage and Operating Statistics marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

  
Certified Public Accountant  
(A Professional Corporation)

November 29, 2004  
Baton Rouge, Louisiana

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

BALANCE SHEETS

June 30, 2004 and 2003

A S S E T S

	<u>2004</u>	<u>2003</u>
<u>Current Assets</u>		
Cash	\$ 605,858	\$ 527,363
Accounts receivable (net of allowance for bad debts of \$1,000)	73,561	75,218
Interest receivable	5,025	3,709
Prepaid insurance	<u>5,329</u>	<u>5,171</u>
Total Current Assets	- 689,773	- 611,461
<u>Restricted Assets</u>		
Revenue Bond Restricted Funds (See Page 19)	- 296,492	- 286,117
<u>Investments</u>	- 523,284	- 525,482
<u>Water System</u>		
At cost, net of accumulated depreciation	2,340,760	2,301,268
<u>Other Assets</u>		
Unamortized debt issuance expense	<u>30,985</u>	<u>32,707</u>
Total Assets	\$ <u>3,881,294</u>	\$ <u>3,757,642</u>

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
<u>Current Liabilities</u> (Payable from current assets)		
Accounts payable and accrued expenses	\$ 8,362	\$ 23,667
Intergovernmental payables	<u>78,699</u>	<u>43,322</u>
Total Current Liabilities	- 87,061	- 66,989
<u>Current Liabilities</u> (Payable from restricted assets)		
Accrued interest payable	59,070	60,468
Revenue bond payable-Current	<u>38,290</u>	<u>36,703</u>
Total Current Liabilities Payable from Restricted Assets	- 97,360	- 97,171
<u>Long-Term Liabilities</u>		
Revenue bond payable-net of current portion	1,149,629	1,189,457
Due to Public Utility-relocation	<u>48,498</u>	<u>48,498</u>
Total Long-Term Liabilities	<u>1,198,127</u>	<u>1,237,955</u>
Total Liabilities	<u>1,382,548</u>	<u>1,402,115</u>
<u>Net Assets</u>		
Investment in capital assets, net of related debt	1,152,841	1,075,108
Restricted for debt service	1,146,773	189,546
Unrestricted	<u>1,146,773</u>	<u>1,090,873</u>
Total Net Assets	<u>2,498,746</u>	<u>2,355,527</u>
Total Liabilities and Net Assets	\$ <u>3,881,294</u>	\$ <u>3,757,642</u>

See accompanying notes to financial statements.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Balance - Beginning of the year	\$ 2,355,527	\$ 2,200,726
Net income for the year	<u>143,219</u>	<u>154,801</u>
Balance - End of the year	\$ <u>2,498,746</u>	\$ <u>2,355,527</u>
Net assets at June 30, 2004 and 2003 consist of the following:		
Invested in capital assets, net of related debt	\$ 1,152,841	\$ 1,075,108
Restricted for debt service	199,132	189,546
Unrestricted	<u>1,146,773</u>	<u>1,090,873</u>
Balance - End of the year	\$ <u>2,498,746</u>	\$ <u>2,355,527</u>

See accompanying notes to financial statements.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Operating Revenues</u>		
Water sales	\$ 472,955	\$ 465,741
Penalties	8,310	7,504
Connection charges	17,800	13,475
Service charges	3,345	2,963
Collection fees	8,494	8,289
Bad debt recovery	398	482
Miscellaneous	<u>4,941</u>	<u>1,075</u>
Total	_ <u>516,243</u>	_ <u>499,529</u>
<u>Operating Expenses</u>		
Per diem expense	2,860	2,970
System operating charges	89,283	87,320
System rental	1,417	1,413
Depreciation	107,195	103,383
Electricity	36,970	42,280
Meter and system repairs and supplies	66,556	46,468
Insurance	7,557	7,793
Postage	5,257	5,365
Telephone	434	873
Secretarial expense	3,438	3,424
Miscellaneous	3,300	5,450
Bad debt expense	1,809	1,527
Professional fees	7,696	5,104
Billing supplies	<u>1,070</u>	<u>1,306</u>
Total	_ <u>334,842</u>	_ <u>314,676</u>
Operating Income	_ <u>181,401</u>	_ <u>184,853</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest earned	24,401	30,893
Interest expense	(58,901)	(61,320)
Amortization of debt issuance expense	(1,721)	(1,721)
Investment expense	(2,784)	(2,698)
Investment gains	<u>823</u>	<u>4,794</u>
Total Nonoperating Revenues (Expenses)	_ <u>(38,182)</u>	_ <u>(30,052)</u>
Net Income	\$ <u>143,219</u>	\$ <u>154,801</u>

See accompanying notes to financial statements.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2004 and 2003

Increase (Decrease) in Cash and Cash Equivalents

	<u>2004</u>	<u>2003</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	504,465	489,275
Payments to suppliers	(207,734)	(193,365)
Other	<u>13,435</u>	<u>9,364</u>
Net cash provided by operating activities	_ <u>310,166</u>	_ <u>305,274</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(146,687)	(87,085)
Principal paid on revenue bond maturities	(38,241)	(34,475)
Interest paid on revenue bonds	(60,299)	(64,065)
Contributions of capital	<u>-0-</u>	<u>-0-</u>
Net cash used for capital and related financing activities	<u>(245,227)</u>	<u>(185,625)</u>
Cash used before investing activities	64,939	119,649

See accompanying notes to financial statements.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash used before investing activities - from the preceding page	\$ <u>64,939</u>	\$ <u>119,649</u>
<u>Cash Flows from Investing Activities</u>		
Interest and dividends on investments	23,085	33,424
Investment expenses	(2,784)	(2,698)
Proceeds from sale and redemption of securities	297,998	267,499
Purchase and adjustments of securities	<u>(294,968)</u>	<u>(276,981)</u>
 Net cash provided by investing activities	 23,331	 <u>21,244</u>
 Net increase (decrease) in cash and cash equivalents	 88,270	 140,893
 Cash and cash equivalents at the beginning of the year	 <u>814,080</u>	 <u>673,187</u>
 Cash and cash equivalents at the end of the year	 \$ <u>902,350</u>	 \$ <u>814,080</u>
<u>Cash and cash equivalents are shown as follows on the balance sheet:</u>		
Cash	\$ 605,858	\$ 527,363
Restricted assets	<u>296,492</u>	<u>286,717</u>
Total	\$ <u>902,350</u>	\$ <u>814,080</u>

Noncash Investing, Capital, and Financing Activities:

None.

See accompanying notes to financial statements.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating</u>		
<u>Activities:</u>		
Operating income	\$ <u>181,401</u>	\$ <u>184,853</u>
Adjustments to reconcile operating		
income to net cash provided by		
operating activities:		
Depreciation	107,195	103,383
Decrease (Increase) in assets:		
Accounts receivable	1,657	(890)
Prepaid insurance	(158)	550
Increase (Decrease) in		
liabilities:		
Accounts payable and		
accrued expenses	(15,306)	14,952
Inter governmental		
payables	<u>35,377</u>	<u>2,426</u>
Total adjustments	<u>128,765</u>	<u>120,421</u>
Net cash provided by		
operating activities	\$ <u><u>310,166</u></u>	\$ <u><u>305,274</u></u>

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

Introduction

Water Works District Number 4 operates a water system serving residences and businesses in parts of West Baton Rouge Parish. The Water District extends credit to its customers. The district does not require its customers to furnish collateral for their accounts.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the Water Works District Number 4 of West Baton Rouge Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standard Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Water District applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Water Works District Number 4 of West Baton Rouge Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Water District. Based on the criteria set forth in GASB Statement No. 14, the Water District is a component unit of the West Baton Rouge Parish Council. The basis criteria is the Council's ability to exercise oversight responsibility. The Parish Council appoints the members of the Water District's board of commissioners and approves the District's budget.

(CONTINUED)



Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth the Water Works District Number 4 of West Baton Rouge Parish has no component units.

Enterprise Fund

Water Works District Number 4 is operated as an enterprise fund, and as such employs the accrual method of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water System

All assets are recorded at original cost. Interest costs incurred during and related to construction are capitalized. Depreciation is recorded on all exhaustible fixed assets over their estimated useful lives using the straight-line method. The service life of the water system is 25 to 50 years. Equipment used in providing water service is depreciated over 4 to 10 years.

Deferred Expenses

The cost of issuing the Water Works Revenue Bond is being amortized over the term of the bond issue using the straight-line method.

Investment Securities

Investment securities are carried at fair market value as required by GASB Statement Number 31.

(CONTINUED)

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Statement of Cash Flows

For purposes of the statement of cash flows, Water Works District Number 4 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Water District does not consider its investment in debt securities or any funds held by its brokers as cash equivalents (See Note 4).

Long-Term Liabilities

Long-term liabilities are recognized within the Enterprise Fund.

Net Assets

Net assets is the difference between assets and liabilities. Net assets are reported in three categories.

Investment in capital assets, net of related debt - This category represents net assets invested in capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Reserved for debt service - This represents those portion of net assets legally segregated as required by the bond indenture for the outstanding bonds of the District.

Unrestricted - This represents that portion of net assets that have no restrictions on their use.

Organization

Water Works District Number 4 was established to construct and acquire a complete water system for the benefit of the residents and customers of the Water Works District as designated by the West Baton Rouge Parish Council. The Water Works District was granted a franchise to operate by the Parish Council in February, 1982. Water sales began in July, 1982.

(CONTINUED)

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

**NOTE 2. CASH AND CASH EQUIVALENTS**

Cash is shown on the balance sheet under current assets and restricted assets. The carrying value of cash on deposit with financial institutions on June 30, 2004 was \$902,350. These deposits are stated at cost, which approximates market.

Under state law, these deposits 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 June 30, 2004, the bank balances of the Districts' deposits were \$899,818. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$843,189 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized 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 3. RESTRICTED ASSETS**

The restricted assets are accounts required to be maintained under the terms of the bond indenture of the outstanding Water Works Revenue Bond dated July 8, 1982. They are as follows:

- A) The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Water Works Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at June 30, 2004 and 2003 were \$100,992 and \$100,992 respectively.

(CONTINUED)

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

NOTE 3. RESTRICTED ASSETS - (Cont'd)

- B) The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at June 30, 2004 and 2003 were \$98,540 and \$93,613, respectively. As of June 30, 2004 and 2003, this fund was adequately funded.
- C) The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at June 30, 2004 and 2003 were \$96,960 and \$92,112, respectively. As of June 30, 2004 and 2003, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$296,492 and \$286,717 at June 30, 2004 and 2003, respectively.

NOTE 4. INVESTMENTS

At June 30 the Water District had investments as follows:

	Fair Value Carrying Amount	Cost
<u>2004:</u>		
Various U. S. Treasury obligations, 1.5% to 6.25%, due between 5/15/05 and 8/15/11	\$ 249,300	\$ 256,591
Various FNMA and FHLMC pools, 5% to 7%, due between 10/15/07 and 11/16/33	244,427	231,892
RMA Money Mkt Portfolio	12,819	12,819
Paine Webber Cash Fund	<u>16,738</u>	<u>16,738</u>
	\$ <u>523,284</u>	\$ <u>518,040</u>

(CONTINUED)

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

NOTE 4. INVESTMENTS - (Cont'd)

<u>2003:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U.S. Treasury obligations, 4.375% to 6.5%, due between 2/15/04 and 2/15/12	\$ 256,227	\$ 251,513
Various FNMA and FHLMC pools, 3% to 7.50%, due between 10/15/07 and 9/01/32	214,719	215,103
RMA Money Mkt Portfolio	9,431	9,431
Paine Webber Cash Fund	<u>45,112</u>	<u>45,112</u>
	\$ <u>525,489</u>	\$ <u>521,159</u>

Investments are limited by state law and the district's investment policy. The investments are held by the Water District's broker in its street name. Because the securities are not in the name of the District and are not held by the District or its agents, the securities are considered uninsured and unregistered, Category 3, in applying the credit risk of GASB Codification I50.164.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

**NOTE 5. WATER SYSTEM**

At June 30, the Water System consisted of the following:

	<u>2004</u>	<u>2003</u>
Water System - Cost	\$ 4,020,990	\$ 3,874,303
Accumulated depreciation	<u>(1,680,230)</u>	<u>(1,573,035)</u>
Water System Net of Accumulated Depreciation	<u>\$2,340,760</u>	<u>\$ 2,301,268</u>

**NOTE 6. REVENUE BOND PAYABLE**

The Revenue Bond payable at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
\$1,662,000 Water Works Revenue Bond dated July 8, 1982, serviced by General Electric Credit Corpora- tion for private investors; interest at 5%. Annual payments of \$98,540. Principal and interest to be paid from the income and revenue derived from the operation of Water Works District Number 4.	\$ 1,187,919	\$ 1,226,160
Less current portion	<u>38,290</u>	<u>36,703</u>
Balance	<u>\$ 1,149,629</u>	<u>\$ 1,189,457</u>

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

**NOTE 6. REVENUE BOND PAYABLE - (Cont'd)**

The annual requirements to amortize the revenue bond payable as of June 30, 2004, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 38,290	\$ 60,250	98,540
2006	41,059	57,481	98,540
2007	43,111	55,429	98,540
2008	45,267	53,273	98,540
2009	47,530	51,010	98,540
2010-2022	<u>972,662</u>	<u>401,452</u>	<u>1,374,114</u>
Totals	<u>\$ 1,187,919</u>	<u>\$ 678,895</u>	<u>\$ 1,866,814</u>

**NOTE 7. CONTRIBUTED CAPITAL**

Contributed Capital consisted of the following as of November 30:

	<u>2004</u>	<u>2003</u>
Federal grant	\$ 600,000	\$ 600,000
Parish council grant	18,725	18,725
Contributed by developers and others	<u>9,470</u>	<u>9,470</u>
	<u>\$ 628,195</u>	<u>\$ 628,195</u>

On the balance sheet contributed capital is presented as a component of net assets invested in capital assets.

**NOTE 8. WATER SYSTEM AGREEMENT**

Water Works District Number 4 leases several water systems from the West Baton Rouge Parish Public Utility under a local services agreement entered into February, 1982. The lease expired in prior years. The District has continued to lease the water systems on a month to month basis since the expiration of the lease.

System rental expense on the leased water systems was \$1,251 for 2004 and 2003, respectively. The system rental expense payable at June 30, 2004 and 2003 totaled \$2,983 for both years and is included in Intergovernmental Payables on the balance sheet.

(CONTINUED)

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

NOTE 8. WATER SYSTEM AGREEMENT - (Cont'd)

A separate operating agreement requires the Public Utility to operate the systems it leases to the Water Works District. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The operating agreement's term coincides with that of the local services agreement described above.

Fees under the operating agreement are based on the Water System's proportionate share of the Public Utility's office, administrative, operating and maintenance expenses. The Public Utility billed Water Works District Number 4 a total of \$89,283 from July 1, 2003 to June 30, 2004 and \$87,320 from July 1, 2002 to June 30, 2003. Of these amounts, \$7,565 and \$7,329 were payable at June 30, 2004 and 2003, respectively.

The Public Utility also bills the Water Works District for services not covered by the operating agreement. During the current year, the District was billed \$86,764 for these services. Of that amount, \$50,608 was capitalized and \$36,156 was expensed. The Water District owed \$39,208 and \$4,936 to the Public Utility for these services at June 30, 2004 and June 30, 2003, respectively. During the year ended June 30, 2003, the District was billed \$46,932 by the Public Utility; \$19,321 was capitalized and \$27,611 was expensed.

All amounts owed to the Public Utility, under the various agreements discussed above, are included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

In addition to the regular services provided for under the operating agreement, the Public Utility assisted the Water District in relocating some of its water lines during the year ended June 30, 1991. The relocation was required by the Louisiana Department of Transportation. Total cost of relocating the Water District's lines was \$48,498. That amount was unpaid at June 30, 2004 and 2003 and is shown in the Other Liabilities section of the Balance Sheet.



Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

**NOTE 9. CHANGES TO PRIOR YEAR STATEMENTS**

During the year ended June 30, 2004 the Water District implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments." The presentation of the financial statements for the year ended June 30, 2003 was change to conform with the presentation of the current financial statements.

**NOTE 10. GARBAGE FEE SERVICE AGREEMENT**

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1986 whereby the District bills and collects a garbage collection fee on behalf of the Parish Council. The District retains thirty-three cents per customer every month to cover its billing expenses (classified as Collection Fees on the Statement of Revenue and Expenses). The remainder is remitted to the Parish Council as collected. At June 30, 2004 and 2003, the District had collected but not remitted \$24,497 and \$23,831, respectively, to the Parish Council. This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

**NOTE 11. SEWER FEE SERVICE AGREEMENT**

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1987 whereby the District bills and collects sewer user fees for sewer systems within the District on behalf of the Parish Council and remits the fees to the Parish Council. In consideration for the collection of sewer user fees by the District, the Parish Council, through its Utility Systems, operates and maintains the sewer plants and systems located within Water Works District Number 4. At June 30, 2004, the District had collected but not remitted \$4,446 to the Parish Council (\$4,243 at June 30, 2003). This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2004 and 2003

NOTE 12. RISK MANAGEMENT

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The District purchases commercial insurance policies at levels which management believes is adequate to protect the District. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN RESTRICTED ASSETS

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Water Works Revenue Bond</u> <u>Restricted Funds</u>		
Beginning Balance	\$ 286,717	\$ 276,942
Additions:		
Transfer from Revenue account	<u>108,315</u>	<u>108,315</u>
Total Cash Available	<u>395,032</u>	<u>385,257</u>
Disbursements:		
Bond principal paid	38,242	34,475
Bond interest paid	<u>60,298</u>	<u>64,065</u>
Total Disbursements	<u>98,540</u>	<u>98,540</u>
Balance, June 30, Cash with Bank of West Baton Rouge, Louisiana	\$ <u>296,492</u>	\$ <u>286,717</u>

The restricted cash account was adequately funded as of June 30, 2004 and 2003.

Interest earned on restricted cash funds is not required to be restricted.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

OPERATING STATISTICS (UNAUDITED)

For the years ending June 30, 2004 and 2003

Water Works District Number 4 was serving 2,084 and 2,019 customers at June 30, 2004 and 2003, respectively.

Operations of Water Works District Number 4 for the years ending June 30, 2004 and 2003 are reflected in the following statistical data:

	<u>2004</u>	<u>2003</u>
Water sales	\$ 472,955	\$ 465,471
M gallons of water sold	287,454	287,924
Total number of customers' billings	24,624	24,055
Average number of customers billed per month	2,052	2,005
Average monthly revenue per customer	\$19.21	\$19.35
Average revenue per M gallons	\$ 1.65	\$ 1.62

(UNAUDITED)

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN WATER SYSTEM

For the years ending June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cost at July 1	\$ 3,874,303	\$ 3,787,218
System additions	<u>146,687</u>	<u>87,085</u>
Cost at June 30	\$ <u>4,020,990</u>	\$ <u>3,874,303</u>

All additions shown above were made with the system's own funds.

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

SCHEDULE OF PER DIEM PAYMENTS

For the year ending June 30, 2004

The following amounts of per diem were paid to the members of the governing authority of Water Works District Number 4 for the year ended June 30, 2004:

	<u>Number of Meetings</u>	<u>Amount</u>
Lucius Treuil, Sr.	11	\$ 660
Mathew Young	3	150
Alvin Mclin	12	600
Wanda Webre	11	550
Jan Landry	12	600
Beth Ponce	6	<u>300</u>
Total		\$ <u>2,860</u>

Water Works District Number 4  
of West Baton Rouge Parish, Louisiana

INSURANCE COVERAGE (UNAUDITED)

June 30, 2004

Insurance and fidelity bond coverage on June 30, 2004 was as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
October 6, 2004	One Beacon Insurance Company	Commercial general liability \$1,000,000 aggregate; \$1,000,000 aggregate completed operations; advertising and personal injury \$1,000,000; each occurrence limit \$1,000,000; rented premises limit \$100,000 any one fire; and medical expense limit \$5,000 any one person.
October 6, 2004	One Beacon Insurance Company	Commercial property coverage on two water towers, (\$273,735 and \$547,680), \$5,000 deductible, 90% coinsurance.
August 9, 2005	Western Surety Co.	Position schedule bond on President and Secretary/Treasurer, \$368,000 each.
April 27, 2005	Western Surety Co.	Fidelity bond on Secretary/Treasurer, \$5,000.
May 20, 2005	Western Surety Co.	Fidelity bond on President, \$5,000.

(UNAUDITED)





**CALVIN L. ROBBINS, JR.**

CERTIFIED PUBLIC ACCOUNTANT  
(A PROFESSIONAL CORPORATION)

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

To the Board of Commissioners  
Water Works District Number 4  
of West Baton Rouge Parish, Louisiana  
Port Allen, Louisiana

I have audited the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, a component unit of the West Baton Rouge Parish Council, as of and for the year ended June 30, 2004 and 2003, and have issued my report thereon dated November 29, 2004. I have 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 the 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, 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the 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. However, I noted certain matters involving the internal control over financial reporting and its operation that I considered to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in

Water Works District Number 4

my judgement, could adversely affect the Water District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the following paragraph.


An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 material weaknesses. However, I believe that the reportable condition disclosed above relating to lack of segregation of duties is a material weakness.

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

  
Certified Public Accountant  
(A Professional Corporation)

November 29, 2004  
Baton Rouge, Louisiana