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**LAFAYETTE PARISH
WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED
GOVERNMENT OF LAFAYETTE, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED AUGUST 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 3.10.04

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

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INDEPENDENT AUDITORS' REPORT

* A PROFESSIONAL CORPORATION

RETIRED

MICHAEL G. DeHART, CPA, CVA, MBA*

To the Board of Commissioners
Lafayette Parish Waterworks District South
Lafayette, Louisiana

We have audited the accompanying basic financial statements of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Lafayette Parish Waterworks District South'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, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 above present fairly, in all material respects, the financial position of Lafayette Parish Waterworks District South, as of August 31, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Lafayette Parish Waterworks District South 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; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of September 1, 2002. This results in a change in the format and content of the basic financial statements.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. 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 Lafayette Parish Waterworks District South. 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.

WMDDH

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2003, on our consideration of the Lafayette Parish Waterworks District South's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic 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 required supplementary information. However, we did not audit the information and express no opinion on it.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

November 5, 2003

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH



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Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Lafayette Parish Waterworks District South's performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2003. Please read it in conjunction with the District's basic financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by \$259,027 from \$1,512,284 in 2002 to \$1,771,311 in 2003, as a result of this year's operations.
- The District's revenues exceeded expenses by \$163,916 for the year ended August 31, 2003, excluding capital grant income of \$95,111 received in 2003.
- Cash and cash equivalents decreased by \$79,318 for the year ended August 31, 2003.

USING THIS ANNUAL REPORT

This annual report consists of three parts – *management's discussion and analysis, the basic financial statements, and supplementary information*. The basic financial statements consist of the fund financial statements and the note to the financial statements. The fund financial statements focus on individual parts of the District, offering short and long-term financial information about the activities that the government operates *like businesses*.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets increased by \$259,027 between the fiscal years 2002 and 2003. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the District's business-type activities.

TABLE 1
SUMMARY OF NET ASSETS

	<u>2002</u>	<u>2003</u>	<u>Percentage Change</u>
Current and Other Assets	\$1,616,947	\$1,532,786	-5.0%
Capital Assets	<u>2,972,395</u>	<u>3,232,626</u>	8.7%
Total Assets	<u>\$4,589,342</u>	<u>\$4,765,412</u>	3.8%
Long-term Debt Outstanding	\$2,944,000	\$2,846,000	-3.3%
Other Liabilities	<u>133,058</u>	<u>148,101</u>	11.3%
Total Liabilities	<u>3,077,058</u>	<u>2,994,101</u>	-2.7%
Net Assets-			
Invested in Capital Assets, Net of Related Debt	911,019	1,048,793	15.1%
Restricted for Debt Service	306,687	320,137	4.4%
Unrestricted	<u>294,578</u>	<u>402,381</u>	36.6%
Total Net Assets	<u>\$1,512,284</u>	<u>\$1,771,311</u>	17.1%

Net assets for the District increased 17.1 percent. Net assets are restricted as to the purpose they can be used for or are invested in capital assets (buildings, water equipment, etc.). Unrestricted net assets can be used to meet the District's ongoing obligations to citizens and creditors.

Since this is the year of implementation, comparative data is not presented in the Summary of Changes in Net Assets presentation. However, comparative data will be accumulated and presented to assist analysis in future years. The following table provides a summary of the District's changes in net assets:

TABLE 2
SUMMARY OF CHANGES IN NET ASSETS

Revenues:	
Operating -	
Charges for Services	\$824,084
Non-Operating -	
Membership Fees	11,050
Installation Fees	37,700
Interest Income	18,263
Other Revenue - Capital Grant	<u>95,111</u>
Total Revenues	<u>986,208</u>
Expenses:	
Operating	567,996
Non-Operating -	
Interest	<u>159,185</u>
Total Expenses	<u>727,181</u>
Change in Net Assets	<u>\$259,027</u>

The District's total revenues increased in 2003 primarily due to an increase in customers and the capital grant award. Total expenses decreases slightly due to a decrease in the amount of water purchased during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2003 and 2002, the District had \$4,148,251 and \$3,777,090, respectively, invested in a broad range of capital assets, including buildings, water lines, furniture and fixtures, and construction in progress. There were additions to capital assets of \$371,161 during 2003. Accumulated depreciation on these capital assets was \$915,625 and \$804,695, respectively, for these years.

Debt

At August 31, 2003, the District had \$2,947,000 in bonds outstanding versus \$3,037,000 at August 31, 2002.

TABLE 3
OUTSTANDING DEBT AT YEAR-END

	<u>2002</u>	<u>2003</u>	<u>% Change</u>
Water Revenue Refunding Bonds:			
Long-term	\$2,944,000	\$2,846,000	-3.4%
Current	<u>93,000</u>	<u>101,000</u>	8.0%
Total	<u>\$3,037,000</u>	<u>\$2,947,000</u>	-3.0%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 the Lafayette Parish Waterworks District South office.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF NET ASSETS
AUGUST 31, 2003**

ASSETS

CURRENT ASSETS

Cash	\$ 350,508
Accounts Receivable (Net of Allowance for Doubtful Accounts)	98,065
Prepaid Insurance	3,458
Total Current Assets	452,031

RESTRICTED ASSETS

Cash - Restricted	
Water Revenue Bond and Interest Sinking Fund	48,770
Water Revenue Reserve Fund	111,365
Water Depreciation and Contingency Fund	160,002
2002 Bond Construction Account	760,618
Total Restricted Assets	1,080,755

PROPERTY, PLANT AND EQUIPMENT

Water District System	2,780,509
Water Treatment Plant	216,804
Water Line and Wells	314,629
Water Meters	290,268
Equipment	84,274
Office Equipment	28,362
Buildings	40,571
Total	3,755,417
Less: Accumulated Depreciation	(915,625)
Total	2,839,792

Land	15,000
Construction in Progress	377,834
Total	392,834
Net Property, Plant and Equipment	3,232,626

TOTAL ASSETS	\$ 4,765,412
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The Accompanying Notes are an Integral Part of This Statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF NET ASSETS
AUGUST 31, 2003**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 13,843
Salaries Payable	1,292
Payroll Taxes Payable	504
Sales Tax Payable	785
Renters' Deposits	15,675
Due to State of Louisiana	115
Total Current Liabilities	<u>32,214</u>

CURRENT LIABILITIES (Payable from Restricted Assets)

Accrued Interest	14,887
Current Portion of Revenue Bonds	101,000
Total Current Liabilities (Payable from Restricted Assets)	<u>115,887</u>

LONG-TERM LIABILITIES

Revenue Bonds Payable - Less Current Portion	<u>2,846,000</u>
Total Liabilities	<u>2,994,101</u>

NET ASSETS

Invested in Capital Assets, net of Related Debt Restricted for Debt Service	1,048,793
Unrestricted	320,137
	<u>402,381</u>
TOTAL NET ASSETS	<u>1,771,311</u>

TOTAL LIABILITIES AND
NET ASSETS

\$ 4,765,412

The Accompanying Notes are an Integral Part of This Statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2003**

OPERATING REVENUES

Charges for Services -	
Water Sales	\$ 791,092
Connection Fees	6,150
Reconnection Fees	1,560
Late Fees	23,192
Other Fees	2,090
Total Operating Revenues	<u>824,084</u>

OPERATING EXPENSES

Scheduled	457,066
Depreciation	<u>110,930</u>
Total Operating Expenses	<u>567,996</u>

Operating Income	<u>256,088</u>
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NON-OPERATING REVENUES (EXPENSES)

Membership Fees	11,050
Installation Fees	37,700
Interest Income	18,263
Interest Expense	<u>(159,185)</u>
Total Non-Operating Revenues (Expenses)	<u>(92,172)</u>

Income Before Other Revenues	163,916
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OTHER REVENUE

Capital Grant Income	<u>95,111</u>
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CHANGE IN NET ASSETS	259,027
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NET ASSETS, BEGINNING OF YEAR	<u>1,512,284</u>
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NET ASSETS, END OF YEAR	<u>\$ 1,771,311</u>
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The Accompanying Notes are an Integral Part of This Statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Service Users	\$ 828,483
Cash Payments for Goods and Services	(369,010)
Cash Paid to Employees for Service	<u>(86,950)</u>

Net Cash Provided By Operating Activities	<u>372,523</u>
---	----------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

CDBG Grant Funds Received	95,111
Proceeds from Membership Fees	11,050
Proceeds from Installation Fees	37,700
Acquisition and Construction of Property, Plant and Equipment	(371,162)
Principal Paid on Revenue Bonds	(90,000)
Interest Paid on Revenue Bonds	<u>(152,803)</u>

Net Cash Used In Capital and Related Financing Activities	<u>(470,104)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>18,263</u>
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NET DECREASE IN CASH	(79,318)
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CASH AT BEGINNING OF YEAR (including restricted cash of \$1,294,570)	<u>1,510,581</u>
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CASH AT END OF YEAR (including restricted cash of \$1,080,755)	<u>\$1,431,263</u>
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The Accompanying Notes are an Integral Part of This Statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2003**

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 256,088
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	110,930
Changes in Assets and Liabilities:	
Accounts Receivable, Net	3,930
Prepaid Insurance	915
Accounts Payable	1,395
Payroll Taxes Payable	74
Sales Tax Payable	(1,791)
Renters Deposits	775
Salaries Payable	92
Due to State of Louisiana	<u>115</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 372,523</u>

The Accompanying Notes are an Integral Part of This Statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity - The Lafayette Parish Waterworks District South (the District) is a component unit of the Consolidated Government of Lafayette, Louisiana (the Consolidated Government). The District constitutes a legal entity separate and apart from the Consolidated Government. The Consolidated Council of Lafayette appoints the governing body of the District. The financial information contained in these statements is only that of the Lafayette Parish Waterworks District South and includes all funds over which the District exercises oversight responsibility. This responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

The Lafayette Parish Waterworks District South was issued a charter by the State of Louisiana and a franchise from the Parish of Lafayette on October 10, 1974. The District's purpose is to provide a water system for the southern district in Lafayette Parish.

The Lafayette Parish Waterworks District South, reported in these statements as a proprietary fund, prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB). GASB Statement No. 14 has defined the governmental reporting entity to be the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the District, a component unit of the Consolidated Government of Lafayette, Louisiana.

Basis of Accounting - The accounts of the District are in conformity with U. S. generally accepted accounting principles (GAAP) as applicable to governments. Such accounting and reporting policies also conform to the guidelines set forth in the Louisiana Governmental Audit Guide.

The Authority maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

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 principal operating revenues are charges to customers for sales and services. Operating expenses 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.

On September 1, 2002, the District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments*." Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows. It requires the classification of fund net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, 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 unspent related debt proceeds

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - continued

at year-end, the portion of the debt attributable to the unspent proceeds are 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 assets component as the 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 net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The 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.

Budgetary Accounting - Formal budgetary integration is not employed as a management control device for the Lafayette Parish Waterworks District South.

Property and Equipment - Property and equipment are recorded at cost and include direct costs and the costs of funds borrowed by the District and used for construction purposes. Capitalized interest incurred during the year ended August 31, 2003 was \$4,838.

Depreciation of property and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Water Distribution System	40
Water Treatment Plant	5-40
Water Lines, Wells and Meters	5-40
Office Equipment	3-7
Other Equipment	5-10

Labor Related Expenses - The District reimburses the Consolidated Government for group health insurance premiums that the Consolidated Government pays on the District's behalf.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

Bad Debts - Through the establishment of an allowance account, uncollectible amounts due from customer's utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance for doubtful accounts at August 31, 2003 was \$660.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

B. CASH

There are three categories of credit risk that apply to the District's bank balances:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name;
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name;
3. Uncollateralized.

Balances held in each category are as follows:

	Categories		Bank Balance	Carrying Amount
	1	2		
Insured (FDIC)	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Uninsured deposits - Collateralized	-	1,425,816	1,425,816	1,231,263
	<u>\$ 200,000</u>	<u>\$1,425,816</u>	<u>\$1,625,816</u>	<u>\$1,431,263</u>

Unrestricted cash is composed of a checking account and a money market interest bearing account. Restricted cash is composed of seven money market interest bearing accounts. There are no investments. The District has no category 3 deposits.

C. RESTRICTED ASSETS

Water Revenue Bond and Interest Sinking Fund - Each month there shall be set aside into this fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003**

C. RESTRICTED ASSETS - Continued

Water Revenue Reserve Fund - There shall also be set aside into this fund an amount equal to five percent (5%) of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Water Revenue Bond and Interest Sinking Fund and as to which there would otherwise be default.

Water Depreciation and Contingency Fund - Funds will also be set aside into this fund at the rate of \$13,202 each year. Money in this fund may be used for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus.

D. PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund type property, plant and equipment at December 31, follows:

	Beginning Balance 9/1/2002	Increases	Decreases	Ending Balance 8/31/2003
Water Distribution System	\$2,780,509	\$ -	\$ -	\$ 2,780,509
Water Treatment Plant	257,375	-	-	257,375
Water Lines, Wells and Meters	569,347	35,550	-	604,897
Office Equipment	28,362	-	-	28,362
Other Equipment	84,274	-	-	84,274
Less: Accumulated Depreciation	<u>(804,695)</u>	<u>(110,930)</u>	<u>-</u>	<u>(915,625)</u>
Net Property, Plant and Equipment	<u>\$2,915,172</u>	<u>\$ (75,380)</u>	<u>\$ -</u>	<u>\$ 2,839,792</u>
Land	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>
Construction Work in Progress	<u>\$ 42,223</u>	<u>\$ 335,611</u>	<u>\$ -</u>	<u>\$ 377,834</u>

Depreciation expense for the year ended August 31, 2003 was \$110,930.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003**

E. WATER REVENUE BONDS

The District has four Water Revenue Bond issues outstanding at August 31, 2003

A summary of this debt is as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Balance At 08/31/03</u>
40 year Water Revenue Bonds Series 1984, 5% interest, payable in annual installments of principal and interest, held by SLEMCO	10/12/1984	\$ 114,000
20 year Water Revenue Bonds Series 1998, 6% interest, payable in annual installments of principal and interest, held by Iberia Bank	8/12/1998	151,000
20 year Water Revenue Bonds Series 1999, 5.875% interest, payable in annual installments of principal and interest, held by Bank One	12/15/1999	890,000
20 year Water Revenue Bonds Series 2002, 5.10% interest, payable in annual installments of principal and interest, held by Iberia Bank	4/23/2002	<u>1,792,000</u>
Total Water Revenue Bonds Outstanding		2,947,000
Less: Current Maturities		<u>101,000</u>
Net Long-Term Water Revenue Bonds Outstanding		<u>\$ 2,846,000</u>

The following is a summary of changes in long-term debt for the year ended August 31, 2003:

<u>Type of Debt</u>	<u>Balance 09/01/02</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 08/31/03</u>	<u>Due Within One Year</u>
Water Revenue					
Bonds Payable	<u>\$ 3,037,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 2,947,000</u>	<u>\$ 101,000</u>

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003**

E. WATER REVENUE BONDS - Continued

The aggregate maturities of long-term debt are as follows:

Years Ending <u>August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 101,000	\$ 158,290	\$ 259,290
2005	104,000	152,969	256,969
2006	110,000	147,319	257,319
2007	116,000	141,347	257,347
2008	123,000	135,038	258,038
2009-2013	731,000	566,776	1,297,776
2014-2018	967,000	343,940	1,310,940
2019-2023	687,000	75,253	762,253
2024	8,000	400	8,400
Total	<u>\$ 2,947,000</u>	<u>\$ 1,721,332</u>	<u>\$ 4,668,332</u>

F. RELATED PARTY TRANSACTIONS

The District purchases water from the Consolidated Government for resale to customers in the ordinary course of business. The District purchased \$250,945 of water from the Consolidated Government during 2003. At August 31, 2003, the District owed the Consolidated Government \$13,146.

G. GRANT AWARD

On July 26, 2002, the District received notification from the Consolidated Government of a reimbursement grant award for approximately \$1,100,000 under the Community Development Block Grant Program for water system improvements to the Golden Grain Road area. At August 31, 2003, \$95,111 of funds had been expended and reimbursed by the Consolidated Government under the grant.

H. RISK MANAGEMENT

The District is exposed to risks of loss in the areas of general liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in insurance during the year.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**BOARD OF COMMISSIONERS
AS OF AUGUST 31, 2003**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>
Fred Simon	Indefinite	President	Rt. 3, Box 265-K Lafayette, LA 70506 (337) 984-5346
George Villien Jr.	October, 2004	Secretary/ Treasurer	3143 S. Fieldspan Duson, LA 70529 (337) 981-3076
Troy M. Hanks	November, 2004	Board Member	2648 S. Fieldspan Duson, LA 70529 (337) 984-2582
Wayne Arceneaux	October, 2003	Board Member	2820 S. Richfield Rayne, LA 70578 (337) 873-6605
Lana Terry	September, 2005	Board Member	319 Lasa Lane Duson, LA 70529 (337) 873-2332

Commissioners each receive \$25.00 compensation monthly.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2003**

Advertising	\$ 579
Automobile Allowance	1,100
Bad Debts	2,256
Bank Charges	1,593
Board Fees	1,750
Chemicals	4,889
Consulting and Engineering	3,005
Dues and Subscriptions	150
Employee Training	60
Gas	3,825
Insurance	23,150
Labor	1,947
Legal and Accounting	11,780
Miscellaneous Expense	135
Office	6,491
Postage	6,759
Refunds	520
Repairs and Maintenance	26,069
Salaries	87,042
Supplies	6,125
Payroll Taxes	6,914
Telephone	5,578
Utilities	4,404
Water Purchased	<u>250,945</u>
TOTAL OPERATING EXPENSES	<u>\$ 457,066</u>

See Accountants' Report.

WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants

100 Petroleum Drive, 70508

P. O. Box 80569 • Lafayette, Louisiana 70598-0569

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DAMIAN H. SPIESS, CPA, CFP
TASHA A. RALEY, CPA

* A PROFESSIONAL CORPORATION

RETIRED

MICHAEL G. DeHART, CPA, CVA, MBA*

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
Lafayette Parish Waterworks District South
Lafayette Parish, Louisiana

We have audited the financial statements of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2003, and have issued our report thereon dated November 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Lafayette Parish Waterworks District South'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 the Lafayette Parish Waterworks District South's internal control 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.

WMDDH

This report is intended for the information of the management and Board of Commissioners of the Lafayette Parish Waterworks District South and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

November 5, 2003

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2003**

We have audited the financial statements of Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana as of and for the year ended August 31, 2003, and have issue our report thereon dated November 5, 2003. 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 Comptroller General of the United States. Our audit of the financial statements of August 31, 2003 resulted in an unqualified opinion.

Section I – Summary of Auditors’ Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable Conditions	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Section II – Financial Statement Findings

There were no current year findings.

Section III – Federal Award Findings and Questioned Costs.

This section is not applicable for the year ended August 31, 2003.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2003**

There were no prior year findings.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2003**

No current year findings were noted, therefore, no response is deemed necessary.