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**LAFAYETTE PARISH WATERWORKS  
DISTRICT NORTH**  
Lafayette, Louisiana

Financial Report

Years Ended December 31, 2003 and 2002

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 7-28-04

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\*A National Accounting Firm

**INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners  
Lafayette Parish Waterworks District North  
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of Lafayette Parish Waterworks District North (District), a component unit of Lafayette Parish Consolidated Government, as of December 31, 2001 and 2002, and for the two years then ended. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Parish Waterworks District North, as of December 31, 2001 and 2002, and the results of its operations and the cash flows of its proprietary fund type for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Lafayette Parish Waterworks District North taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of those financial statements. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to such general purpose financial statements taken as a whole.

***Koehler, Champagne, Simon & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
April 28, 2004

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**LAFAYETTE PARISH WATERWORKS DISTRICT NORTH**  
**Lafayette, Louisiana**  
**Proprietary Fund Type - Enterprise Fund**  
**Water Fund**

Balance Sheet  
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 884,634	\$ 733,417
Receivables:		
City of Lafayette	102,894	159,117
Accounts receivable (net of allowance for uncollectible amount - 2003, \$3,568, 2002, \$12,898)	33,413	40,996
Unbilled receivables	38,443	79,798
Inventory	1,099	-
Prepaid expenses	19,156	6,262
<b>Total current assets</b>	<u>1,179,639</u>	<u>999,690</u>
<b>Restricted assets:</b>		
Cash	88,287	79,518
<b>Property, plant and equipment, net of accumulated depreciation</b>	<u>3,882,119</u>	<u>3,829,811</u>
<b>Total assets</b>	<u>\$ 5,150,045</u>	<u>\$ 4,709,119</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities:</b>		
<b>Current liabilities - (payable from current assets)</b>		
Accounts payable	\$ 22,623	\$ 8,186
Electricity payable	28,000	28,000
Sales tax payable	1,726	3,778
Accrued liabilities	890	389
Payroll liabilities	2,877	3,689
Other liabilities	10,640	3,341
<b>Total current liabilities - (payable from current assets)</b>	<u>46,656</u>	<u>46,383</u>
<b>Current liabilities - (payable from restricted assets)</b>		
Membership deposits	68,818	38,478
Accrued interest payable	68,124	68,124
Revenue/bonds payable	81,262	83,884
<b>Total current liabilities - (payable from restricted assets)</b>	<u>218,204</u>	<u>190,486</u>
<b>Total current liabilities</b>	<u>264,860</u>	<u>236,869</u>
<b>Long-term liabilities:</b>		
Other liabilities	42,700	33,873
Revenue/bonds payable	3,913,090	4,093,112
<b>Total long-term liabilities</b>	<u>3,955,790</u>	<u>4,126,985</u>
<b>Total liabilities</b>	<u>4,220,650</u>	<u>4,363,854</u>
<b>Fund equity:</b>		
Contributed capital	93,078	75,180
Retained earnings -		
Reserved for revenue bond interest	334,894	448,983
Reserved for capital improvements	74,473	74,473
Unreserved, undesignated	3,374,521	3,813,121
<b>Total retained earnings</b>	<u>3,813,888</u>	<u>4,336,577</u>
<b>Total fund equity</b>	<u>3,906,966</u>	<u>4,411,757</u>
<b>Total liabilities and fund equity</b>	<u>\$ 7,127,616</u>	<u>\$ 7,775,611</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Water Fund

Statements of Revenues, Expenses and Changes in Retained Earnings  
Years Ended December 31, 2003 and 2002

	2003	2002
Operating revenues:		
Charges for services -		
Water sales and fees	\$2,142,629	\$2,082,364
Operating expenses:		
Cost of water sold	871,766	913,842
Contract labor	82,582	196,303
Professional fees	67,156	82,341
Depreciation expense	172,622	182,602
Amortization expense	1,541	1,541
Bad debt expense	3,321	26,948
Director fees	4,179	3,949
Insurance expenses	13,893	16,338
Repairs and maintenance	78,485	23,571
Utilities	18,580	11,826
Salaries & related benefits	112,539	91,800
Office expenses & supplies	75,789	38,897
Total operating expenses	1,499,182	1,578,628
Net operating income	643,447	503,736
Nonoperating revenues (expenses):		
Loss on sale of investment	-	(113)
Interest and investment income	12,179	17,368
Interest expense	(225,171)	(227,517)
Miscellaneous	21,944	2,745
Total nonoperating expenses	(191,048)	(207,517)
Net income	452,400	296,219
Retained earnings, beginning	2,329,190	1,805,026
Retained earnings, ending	\$2,815,190	\$2,359,125

The accompanying notes are an integral part of this statement.



LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Water Fund

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

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net operating income	\$ 443,267	\$ 361,708
Adjustments to reconcile operating income to net cash provided by operations:		
Depreciation	173,622	163,683
Amortization of bond issue costs	1,343	1,343
Loss on sale of investments	-	(133)
Change in current assets and liabilities -		
Due from City of Lafayette	47,713	1,325
Accounts receivable	606	(27,399)
Provision for uncollectible accounts	(9,612)	(8,048)
Unbilled utility receivables	38,159	(38,452)
Inventory	(3,008)	-
Prepaid expenses	(12,994)	(2,038)
Accounts payable	14,457	(14,732)
Other liabilities	35,878	38,782
Sales tax payable	(2,214)	3,384
Payroll liabilities	1,708	87
Net cash flows provided from operating activities	<u>825,879</u>	<u>682,499</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</b>		
Principal paid on bonds	(88,411)	(83,677)
Interest paid on bonds	(201,865)	(238,174)
Acquisition and construction of capital assets	(329,336)	(332,487)
Net increase in membership deposits	17,848	10,822
Other receipts	21,844	2,782
Net cash flows used for capital and financing activities	<u>(580,310)</u>	<u>(640,836)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on cash and investments	12,379	17,366
Maturities of investments	-	35,808
Net cash flows provided from investing activities	<u>12,379</u>	<u>53,174</u>
 Increase in cash and cash equivalents	 127,736	 294,211
Cash and cash equivalents, beginning of period	<u>1,428,815</u>	<u>1,144,718</u>
Cash and cash equivalents, end of period	<u>\$1,556,551</u>	<u>\$1,428,913</u>

(continued)

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Water Fund

Statements of Cash Flows (Continued)  
Year Ended December 31, 2003 and 2002

	2003	2002
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 713,407	\$ 502,248
Cash - restricted	<u>709,518</u>	<u>642,470</u>
Total cash and cash equivalents	<u>1,422,925</u>	<u>1,144,718</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	854,624	713,407
Cash - restricted	<u>812,007</u>	<u>705,518</u>
Total cash and cash equivalents	<u>1,666,631</u>	<u>1,418,925</u>
Net increase	<u>\$ 243,706</u>	<u>\$ 274,207</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Lafayette Parish Waterworks District North (the District), which is a component unit of Lafayette Parish Consolidated Government, was created under the provisions of Louisiana Revised Statutes 18:2811, for the purpose of providing potable drinking water to the rural areas of Lafayette Parish. The District is governed by a board of commissioners composed of nine members appointed by Lafayette Parish Consolidated Government. Each board of commissioners serves a four year term and cannot serve more than twelve years.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Such accounting and reporting procedures also conform to the industry wide guide, *Analysis of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The District is a component unit of the Lafayette Parish Consolidated Government, the financial reporting entity. The Lafayette Parish Consolidated Government is financially accountable for the District because it appoints a voting majority of the commissioners.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Lafayette Parish Consolidated Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Fund Accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

C. Fund Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fund assets and long-term liabilities associated with a fund are determined by its measurement focus.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement basis, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	14-40 years
Furniture, fixtures and equipment	7-10 years

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement basis applied.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables, resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year end.

E. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

F. Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As of December 31, 2000 and 1997 the District has no investments.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

G. **Inventory**

Inventory consists of supplies kept on hand to make repairs. The inventory is valued at the lower of cost or market.

H. **Capitalization of Interest Expense**

It is the policy of the Lafayette Parish Waterworks District North to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. At December 31, 2003, no interest costs were capitalized.

I. **Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally separated for a specific future use.

J. **Restatement of Prior Year Financial Statements**

During 2003 Lafayette Utilities System notified the District that a billing error was made in 2002 and 2003, and that the District owed the Lafayette Utilities System \$39,313 attributable to 2002 billings. The effect of the restatement was to decrease net income for 2002 by \$39,313.

(2) **Cash and Interest-Bearing Deposits**

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2003, the District had cash and interest-bearing deposits (bank balances) totaling \$1,766,671 as follows:

Demand deposits	\$ 148,840
Time deposits and money market accounts	<u>1,217,831</u>
<b>Total</b>	<b><u>\$1,766,671</u></b>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Notes to Basic Financial Statements (Continued)

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 bank. 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. The bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 2002. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) at December 31, 2002, are unsecured as follows:

Bank balances	<u>\$ 1,772,283</u>
At December 31, 2002, the deposits are secured as follows:	
Federal deposit insurance	\$ 100,000
Pledged securities (Category 1)	454,752
Trust assets	<u>1,217,531</u>
	<u>\$ 1,772,283</u>

Even though pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 29:1229 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.

(7) **Restricted Assets - Proprietary Fund Type**

Restricted assets were applicable to the following at December 31:

	<u>2002</u>	<u>2001</u>
Revenue bond and interest sinking account	\$ 276,621	\$ 213,796
Revenue bond reserve account	228,031	289,575
Revenue bond contingency account	194,727	177,811
Customers' deposits	43,181	29,882
Capital improvements	<u>74,473</u>	<u>74,473</u>
Total restricted assets	<u>\$ 812,033</u>	<u>\$ 785,537</u>

**LAFAYETTE PARISH WATERWORKS DISTRICT NORTH**  
Lafayette, Louisiana

**Notes to Basic Financial Statements (Continued)**

**(4) Fixed Assets**

A summary of changes in property, plant and equipment at December 31, follows:

	Balance January 1	Additions	Deletions	Balance December 31
Land	\$ 21,905	\$ -	\$ -	\$ 21,905
Buildings and improvements	-	31,982	-	31,982
Furniture, fixtures and equipment	29,392	45,434	-	74,826
Water system	6,279,696	223,252	-	6,442,948
Construction in progress	138,929	189,775	139,733	189,971
<b>Total</b>	<b>6,469,902</b>	<b>451,465</b>	<b>139,733</b>	<b>6,781,634</b>
Less: Accumulated depreciation	(1,399,395)	(178,622)	-	(1,578,017)
Net Utility Fund property, plant and equipment	<b>\$ 5,070,507</b>	<b>\$ 272,843</b>	<b>\$ 139,733</b>	<b>\$ 5,383,083</b>

Depreciation expense for the years ended December 31, 2003 and 2002 totaled \$178,622 and \$143,682, respectively.

**(5) Other Liabilities**

During the year ended December 31, 2003 Lafayette Utilities System notified the District of a billing error that was made in the amount of \$86,119. A portion of the error was from 2003 billings and the rest was from the prior year. The District agreed to pay the total back over a period of thirty months. The District made two payments during 2003. The balance outstanding at December 31, 2003 and 2002 was 74,778 and 96,313, respectively.

**(6) Changes in Long-Term Debt**

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

	Utility Revenues <u>Funds</u>
Long-term debt payable at January 1, 2003	\$4,114,515
Long-term debt issued	-
Long-term debt retired	<u>88,411</u>
Long-term debt payable at December 31, 2003	<u>\$4,026,104</u>

**LAFAYETTE PARISH WATERWORKS DISTRICT NORTH**  
Lafayette, Louisiana

Notes to Basic Financial Statements (Continued)

Long-term debt payable at December 31, 2003, is composed of the following individual issues:

**Utility Revenue Bonds**

\$950,000 Revenue Bonds, Series 1995, due in annual installments of \$95,000 through October 31, 2011; interest at 5.625 percent	\$ 834,889
\$1,350,000 Revenue Bonds, Series 1997, due in annual installments of \$5,000 to \$135,000 through October 1, 2020; interest at 5.75 percent	1,380,800
\$1,480,000 Revenue Bonds, Series 1998, due in annual installments of \$95,424 through October 31, 2015; interest at 4.75 percent	<u>1,391,215</u>
	4,606,904
Less: Unamortized bond discount	<u>31,606</u>
	<u>\$ 4,575,298</u>

The annual requirements to amortize all debts outstanding at December 31, 2003 follow:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 91,363	\$ 204,321	\$ 385,684
2005	94,000	209,481	383,481
2006	100,711	204,300	385,011
2007	107,081	198,743	395,824
2008	109,470	192,804	392,274
2009-2013	654,691	863,379	1,518,070
2014-2018	854,618	683,818	1,538,436
2019-2023	649,037	421,535	1,070,572
2024-2028	483,294	294,877	788,171
2029-2033	331,699	157,548	489,247
2034-2037	<u>326,327</u>	<u>38,884</u>	<u>365,211</u>
	<u>\$4,026,114</u>	<u>\$3,496,874</u>	<u>\$7,522,988</u>



LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Notes to Basic Financial Statements (Continued)

(7) Use of Funds, Restrictions on Use - Utility Revenues

Under the terms of the respective bond indentures on the utility revenue bonds, all income and revenues (hereinafter referred to as revenues) of every nature, earned or derived from operations of the Water Utility System, are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment.

There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 5 percent of the amount to be paid into the sinking fund until the sum of \$306,826 has been accumulated.

Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$1,185 per month. Money in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophes and for replacements made necessary by the depreciation of the system.

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

The Lafayette Parish Waterworks District North was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2003.

(8) Litigation

At December 31, 2003, the District was the plaintiff in a lawsuit arising in the normal course of operations. The defendant in the lawsuit has made a formal demand for damages. The District's legal counsel and management of the District have reviewed the claim in order to evaluate the likelihood of an unfavorable outcome to the District and arrive at an estimate. Legal counsel and management estimate a range of potential loss in the amount of \$123,000 to \$234,000 if an unfavorable outcome is determined. The District intends to vigorously defend its position. No discovery of any kind has been made in this matter.

(9) Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets and errors and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**LAFAYETTE PARISH WATERWORKS DISTRICT NORTH**  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(14) **Compensation of Board Members**

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2003 follows:

	<u>Term Expires</u>	<u>Amount</u>
Harold Hebert, President	11/29/07	\$ 600
Board members:		
Melvin Kites	12/16/05	495
John E. Habert	12/15/04	450
William Gaddy	12/03/05	380
Preston Bernard	11/15/04	340
Bob Lafosse	05/16/08	380
Donald Richard	05/11/05	340
Robert MacDonald	01/06/05	340
Patrick Credeur, Jr.	10/23/05	<u>325</u>
		<u>\$4,170</u>

(15) **Subsequent Events**

In November 2003, the District authorized the issuance of \$2,800,000 of Water Revenue Bonds, Series 2004 to pay the cost of constructing and acquiring improvements and extensions to the waterworks system. The bonds will bear interest at 3.45% per year and are anticipated to be issued on June 2, 2004.

## **SUPPLEMENTAL INFORMATION**

**INTERNAL CONTROL  
AND  
COMPLIANCE**

**KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC**  
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• A Louisiana Partnership Company

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

**The Board of Commissioners**  
**Lafayette Parish Waterworks District North**  
**Lafayette, Louisiana**

We have audited the financial statements of Lafayette Parish Waterworks District North, (the District) as of and for the year ended December 31, 2000, and have issued our report thereon dated April 30, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 the District'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the 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 accompanying summary schedule of current and prior year audit findings and corrective action plan as item 60-118C.

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1120 Independence Road  
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 Metairie 10, Louisiana  
 Metairie 10, Louisiana

1000 N. Thibodaux Road  
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 Metairie 10, Louisiana

10112 East Thibodaux  
 Metairie 10, Louisiana  
 Metairie 10, Louisiana  
 Metairie 10, Louisiana

10112 East Thibodaux  
 Metairie 10, Louisiana  
 Metairie 10, Louisiana  
 Metairie 10, Louisiana

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. Our 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, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, others within the District, Lafayette Parish Consolidated Government, federal awarding agencies, and the Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:113, this report is distributed by the Legislative Auditor as a public document.

**Koide, Champagne, Steven & Company, LLC**  
Certified Public Accountants

Lafayette, Louisiana  
April 28, 2004

## **SINGLE UNIT SECTION**

**KOLDER, CHAMPAGNE, SLAYEN & COMPANY, LLC**  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EMAS MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners  
Lafayette Parish Waterworks District North  
Lafayette, Louisiana

**Compliance**

We have audited the compliance of Lafayette Parish Waterworks District North (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

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### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Lafayette Parish Waterworks District North as of and for the year ended December 31, 2003, and have issued our report thereon dated April 28, 2004. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the District, Lafayette Parish Consolidated Government, federal awarding agencies, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

**Keller, Champagne, Stevens & Company, LLC**  
Certified Public Accountants

Lafayette, Louisiana  
April 28, 2004

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2003

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Outstanding Revenue Bonds</u>
United States Department of Agriculture - Rural Development *	16.418	<u>24,826,114</u>

\* Indicates major program.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2003

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Lafayette Parish Waterworks District North (the District). The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements.

(2) Basis of Accounting

The federal program presented consists only of loans and loan guarantees which are non-cash awards. Since the Federal Government is at risk for loans until the debt is repaid and since there are continuing compliance requirements, the balance of loans outstanding at December 31, 2003 was used to calculate the value of federal awards expended.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2003

Part I. Summary of Auditors' Findings

1. An unqualified report was issued on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statements. The reportable condition was considered to be a material weakness.
3. No instances of noncompliance were disclosed by the audit of the financial statements.
4. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program.
6. The audit disclosed no audit findings required to be reported under Section 310(a) of Circular A-133.
7. The major program was:  
  
U. S. Department of Agriculture/Rural Development
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 310(b) of Circular A-133 was \$500,000.
9. The auditee did qualify as a low-risk auditee under Section 310 of Circular A-133.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Internal Control Findings:

See Internal Control Finding 03-118C on Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 310 (a) of Circular A-133:

There are no findings that are required to be reported under the above guidance.

## **OTHER SUPPLEMENTARY INFORMATION**

**LAFAYETTE MARSH INSURANCE CO. CONTRACT PROBLEMS**  
Lafayette, Louisiana

**Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended December 31, 2003**

<u>Fiscal Year</u> <u>Finding</u> <u>Initially</u> <u>Reported</u>	<u>Current</u> <u>Year</u> <u>Open</u>	<u>Description of Finding</u>	<u>Corrective</u> <u>Action</u> <u>Taken</u>	<u>Corrective Action Plan</u>	<u>Status of</u> <u>Corrective Action</u>	<u>Anticipated</u> <u>Date of</u> <u>Completion</u>
<b>CURRENT YEAR (12/31/03) -</b>						
<b>Internal Control:</b>						
03-1 (IC)	2003	Due to the small number of employees, the Division did not have adequate segregation of duties within the accounting system.	NA	No response is considered necessary.	Robert Carlson	N/A
<b>PRIOR YEAR (12/31/02) -</b>						
<b>Internal Control:</b>						
02-1 (IC)	2002	Due to the small number of employees, the Division did not have adequate segregation of duties within the accounting system.	NA	No response is considered necessary.	Robert Carlson	N/A

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Water Fund

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Water meters in service -		
Residential	5,760	5,148
Commercial	128	74

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
Lafayette, Louisiana

Schedule of Insurance in Force  
(Unaudited)  
December 31, 2005

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
Surety bonds - Position bonds President Secretary/Treasurer Administrative consultant	10/3/04	\$ 100,000 100,000 100,000
Commercial general liability - Each occurrence General aggregate Fire damage Medical	4/9/04	1,000,000 2,000,000 100,000 5,000
Excess liability - Each occurrence Aggregate	4/9/04	1,000,000 1,000,000
Property - Building Business personal property	4/9/04	86,000 120,000
Public officials liability insurance - Each occurrence General aggregate	11/1/04	1,000,000 1,000,000



LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
 Lafayette, Louisiana  
 Proprietary Fund Type-Enterprise Fund  
 Water Fund

Accounts Receivable Aging Schedule  
 (Unaudited)  
 December 31, 2003 and 2002

	2003	2002
Number of Days -		
0-30	\$ 31,023	\$38,183
31-60	1,826	6,421
61-90	393	3,321
Over 90	-	-
Total	\$ 33,242	\$48,005

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH  
 Lafayette, Louisiana  
 Proprietary Fund Type-Intercept Fund  
 Water Fund

Rate Schedule for Residential and Commercial Customers  
 (Unaudited)  
 December 31, 2001 and 2000

	2001	2000
First 2,000 gallons -		
Residential	\$ 13.00	\$ 13.00
Commercial	16.00	16.00
Every 1,000 gallons thereafter -		
Residential	2.30	2.30
Commercial	2.50	2.50