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Consolidated Sewerage District No. 1

Year Ended December 31

2003

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Release Date 8-4-04

JEFFERSON PARISH LOUISIANA

ANNUAL FINANCIAL REPORT

CONSOLIDATED SEWERAGE DISTRICT NO. 1

PARISH OF JEFFERSON

STATE OF LOUISIANA

December 31, 2003 and 2002

CONSOLIDATED SEWERAGE DISTRICT NO. 1
JEFFERSON PARISH, LOUISIANA

Annual Financial Report

December 31, 2003 and 2002

Contents

LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

Celebrating 15 Years

INDEPENDENT AUDITOR'S REPORT

To the Honorable Parish President and
The Honorable Jefferson Parish Council
Jefferson Parish, Louisiana

We have audited the accompanying financial statements of the Consolidated Sewerage District No. 1 of the Parish of Jefferson, State of Louisiana (the District), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Consolidated Sewerage District No. 1 and do not purport to, and do not, present fairly the financial position of the Parish of Jefferson, State of Louisiana, as of December 31, 2003 and 2002, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2003 and 2002, and the changes in financial position and cash flows thereof for the 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 a report dated May 27, 2004 on our consideration of the District's internal control structure and its compliance with laws and regulations.

Luther C. Speight & Company
May 27, 2004

CONSOLIDATED SEWERAGE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2003 and 2002

This section of the Consolidated Sewerage District No. 1's (the District) annual financial report provides important background information and management's analysis of The District's financial performance during the fiscal year that ended on December 31, 2003. Please read this section in conjunction with the basic financial statements and the notes to the basic financial statements beginning on page 4 in this report.

Financial Highlights

- Total assets of the District were approximately $415.0 million and $421.3 million in 2003 and 2002 respectively, a reduction of approximately $6.3 million. Total liabilities increase by approximately $1.6 million during the same period.
- Operating revenues grew approximately 4.1% due to a small increase in the number of users and the annual rate adjustment that is based on the change in the consumer price index.
- Operating expenses increased only 3.0%. Personnel services increased by 1.0% while contractual services, supplies and other materials increased 6.5% largely due to a major repair job in one of the treatment plants.
- *The District's rate structure is such that nonoperating revenues and other funding sources are necessary to* offset annual operating deficits. Ad valorem taxes, interest, capital contributions and transfers from other funds are the primary sources of this additional funding.
- The District invested approximately $2.8 million in various capital projects and assets during 2003. Funding for these capital investments came primarily from ad valorem taxes.
- The net assets of the District decreased by approximately $7.9 million to approximately $404.9 million.

Overview of the Financial Statements

This financial report consists of the following basic parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and supplementary information.

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about The District's financial activities on both a short-term and long-term basis. The statement of net assets presents information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current and prior years' revenues and expenses. This statement can be used to measure operating improvements or deterioration for the past two years. The statement also provides useful information for determining whether The District's service revenue and other revenue sources were sufficient to allow the District to recover all of its costs. The final financial statement in this report is the statement of cash flows which provides information about The District's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

Financial Analysis of the District

The statement of net assets and the statement of revenues, expenses, and changes in net assets report information about The District's activities. These two statements report the net assets of The District and changes in them. Increases or decreases in The District's net assets are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other nonfinancial factors such as population growth should also be considered.

Net Assets: A summary of The District's balance sheets are presented in Table 1 below.

TABLE 1
Condensed Statement of Net Assets
As Of December 31, 2003 and 2002

	2003	2002	Change
Total current assets	$ 17,869,120	$ 15,424,533	$ 2,444,587
Total current restricted assets	26,225,249	27,899,169	(1,673,920)
Noncurrent asssets:			
Capital assets - net	370,936,017	378,004,158	(7,068,141)
Total assets	415,030,386	421,327,860	(6,297,474)
Current liabilities	10,056,746	8,571,772	1,484,974
Current liabilities payable from restricted assets	115,695	7,201	108,494
Total liabilities	10,172,441	8,578,973	1,593,468
Net assets			
Invested in capital assets	370,936,017	378,004,158	(7,068,141)
Restricted	26,109,554	27,891,968	(1,782,414)
Unrestricted	7,812,374	6,852,761	959,613
Total net assets	$ 404,857,945	$ 412,748,887	$(7,890,942)

Total Assets: As shown in Table 1, total assets were approximately $415.0 million and $421.3 million at December 31, 2003 and 2002 respectively, a decrease of approximately $6.3 million. During the same period, total liabilities increased by approximately $1.6 million.

Changes in Net Assets: The District's net assets decreased approximately $7.9 million to approximately $404.9 million at the end fiscal year 2003. As indicated earlier, the District's rate structure is not designed to provide enough revenue to offset all operating expenses.

Summary of Revenues, Expenses, and Changes in Net Assets

The table on the next page presents a summary of the District's revenues and expenses for the fiscal years ended December 31, 2003 and 2002.

Income / loss from operations: The District relies on nonoperating revenues to cover a portion of the annual operating expenses. The operating deficit in 2003 was approximately $18.5 million, approximately $0.5 million more than the 2002 deficit.

Operating revenues / expenses: Operating revenues increased about 4.1% due to a small increase in users and the annual rate increase that is based on the consumer price index. Operating expenses increased only 3.5% during the same period, the result of continued controls on personnel expenses.

Nonoperating revenues/expenses: Total nonoperating revenues amounted to approximately $7.5 million, just $0.1 million less than the previous year. Interest income was $0.4 million in 2003 and $0.7 million in 2002. This loss of revenue was only partially offset by a 3.9% increase in the collection of ad valorem taxes that are dedicated to the District.

TABLE 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the years ended December 31, 2003 and 2002

	2003	2002	Change
Operating revenues	$ 16,072,473	$ 15,442,815	$ 629,658
Operating expenses	34,527,245	33,362,164	1,165,081
Operating income (loss)	(18,454,772)	(17,919,349)	(535,423)
Nonoperating Revenues			
Ad valorem taxes	6,069,060	5,842,362	226,698
Interest Income	369,324	703,309	(333,985)
Other nonoperating revenues	1,094,785	1,119,410	(24,625)
Total nonoperating revenues	7,533,169	7,665,081	(131,912)
Capital contributions	750,632	7,712,791	(6,962,159)
Net transfers in (out)	2,280,029	1,892,518	387,511
Change in net assets	(7,890,942)	(648,959)	(7,241,983)
Total net assets, beginning of year	412,748,887	413,397,846	(648,959)
Total net assets, end of year	$ 404,857,945	$ 412,748,887	$ (7,890,942)

Contributed Capital: The parish provides funds for the acquisition of capital assets such as property, plant and equipment. In 2003 the District received approximately $0.8 million of capital contributions, approximately $7.0 million less than in 2002.

Transfers: The District received $2.2 million in the form of transfers from other parish funds 2003, $0.4 million more than in the previous year.

Change in Net Assets: Total net assets were approximately $404.9 million and $412.7 million at the end of 2003 and 2002 respectively. The change in net assets of approximate $7.9 million amounts to a reduction of 1.9% of the previous years net asset

Contacting the The District's Financial Management

This financial report is designed to provide our citizens, customers and other interested parties with a general overview of the the District's finances and to demonstrate the The District's finances and to demonstrate the Districts'; accountability for money it receives. If you have questions about this report or need additional financial information, contact the Jefferson Parish Finance Department at 364-2767.

COMPONENT UNIT FINANCIAL STATEMENTS

CONSOLIDATED SEWER DISTRICT NO. 1
Jefferson Parish, Louisiana
STATEMENT OF NET ASSETS
December 31, 2003 and 2002

	2003	2002 (restated)
ASSETS		
Current assets:		
Share of pooled assets	$ 5,170,822	$ 3,778,983
Receivables, net of allowances for estimated uncollectibles:		
Ad valorem tax	7,767,218	6,103,537
Accounts	2,986,414	3,372,731
Intergovernmental	9,240	137,473
Inventories	1,935,426	2,031,809
Total current assets	17,869,120	15,424,533
Restricted current assets:		
Share of pooled assets	26,211,287	27,893,212
Receivables	13,962	5,957
Total restricted current assets	26,225,249	27,899,169
Capital assets (net of accumulated depreciation)	370,936,017	378,004,158
Total capital assets	370,936,017	378,004,158
TOTAL ASSETS	$ 415,030,386	$ 421,327,860
LIABILITIES		
Current liabilities:		
Accounts payable	$ 652,619	$ 492,366
Accrued payroll expenses	1,629,168	1,873,739
Deferred revenue	7,774,959	6,205,667
Total current liabilities	10,056,746	8,571,772
Payable from restricted assets:		
Accounts payable	-	2,281
Retainage payable	115,695	4,920
Total current liabilities payable from restricted assets	115,695	7,201
TOTAL LIABILITIES	10,172,441	8,578,973
NET ASSETS		
Invested in capital assets	370,936,017	378,004,158
Restricted	26,109,554	27,891,968
Unrestricted	7,812,374	6,852,761
Total net assets	$ 404,857,945	$ 412,748,887

The accompanying notes are an integral part of this statement.

CONSOLIDATED SEWER DISTRICT NO. 1
Jefferson Parish, Louisiana
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
December 31, 2003 and 2002

	2003	2002 (restated)
OPERATING REVENUES		
Charges for sales and services	$ 16,072,473	$ 15,442,815
Total operating revenues	16,072,473	15,442,815
OPERATING EXPENSES		
Personnel services	9,223,514	9,131,052
Contractual services, supplies, materials, and other	14,728,896	13,830,138
Depreciation and amortization	10,574,835	10,400,974
Total operating expenses	34,527,245	33,362,164
Operating income/(loss)	(18,454,772)	(17,919,349)
NONOPERATING REVENUES (EXPENSES)		
Taxes	6,069,060	5,842,362
State revenue sharing	283,207	292,343
Intergovernmental revenues	3,103	124,864
Interest income	369,324	703,309
Construction sewer availability fees	800,619	674,827
Gain (loss) on transfer of fixed assets	7,856	27,376
Total nonoperating revenues (expenses)	7,533,169	7,665,081
Income (loss) before contributions and transfers	(10,921,603)	(10,254,268)
CAPITAL CONTRIBUTIONS		
Capital Assets	750,632	7,712,791
Total capital contributions	750,632	7,712,791
Transfers in	2,300,000	2,093,474
Transfers out	(19,971)	(200,956)
Change in net assets	(7,890,942)	(648,959)
Total net assets - beginning as previously reported	412,748,887	412,759,071
Prior Period Adjustment	-	638,775
Total net assets - beginning	412,748,887	413,397,846
Total net assets - ending	$ 404,857,945	$ 412,748,887

The accompanying notes are an integral part of this statement.

CONSOLIDATED SEWER DISTRICT NO. 1
Jefferson Parish, Louisiana
STATEMENT OF CASH FLOW
December 31, 2002 and 2001

		2003		2002 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$	16,582,387	$	15,175,699
Payments to suppliers		(14,363,766)		(13,946,755)
Payments to employees		(9,468,085)		(9,065,107)
Net cash provided (used) by operating activities		(7,249,464)		(7,836,163)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes		5,971,302		5,894,735
State revenue sharing		283,207		292,343
Intergovernmental revenues		3,103		124,864
Transfers to other funds		2,280,029		1,892,518
Net cash provided (used) by noncapital financing activities		8,537,641		8,204,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions				
Acquisition and construction of capital assets		(2,748,206)		(595,989)
Construction sewer availability fees		800,619		674,827
Net cash provided (used) by capital and related financing activities		(1,947,587)		78,838
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received		369,324		703,309
Net cash provided (used) by investing activities		369,324		703,309
Net increase (decrease) in cash and cash equivalents		(290,086)		1,150,444
Cash and cash equivalents, beginning of year		31,672,195		30,521,751
Cash and cash equivalents, end of year	$	31,382,109	$	31,672,195
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	(18,454,772)	$	(17,919,349)
Adjustments to reconcile operating income to net cash provided (used by) operating activities:				
Depreciation expense		10,574,835		10,400,974
(Increase) decrease in accounts receivable		378,312		(152,452)
(Increase) decrease in intergovernmental receivables		131,602		(114,664)
(Increase) decrease in inventories		96,383		(15,820)
Increase (decrease) in accounts payable		268,747		(100,797)
Increase (decrease) in accrued payroll expenses		(244,571)		65,945
Total adjustments		11,205,308		10,083,186
Net cash provided by operating activities	$	(7,249,464)	$	(7,836,163)

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Sewerage District No. 1 of the Parish of Jefferson (the District) was created effective January 1, 1992, pursuant to Ordinance #18420, adopted by the Jefferson Parish Council on December 4, 1991, and includes all of the territory within former East Bank Consolidated Sewerage District of Jefferson Parish and West Bank Consolidated Sewerage District of the Parish of Jefferson, Louisiana (which included the former Sewerage District No. 7 of the Parish of Jefferson, State of Louisiana, Sewerage District No. 11 of the Parish of Jefferson, State of Louisiana, Sewerage District No. 12 of the Parish of Jefferson, State of Louisiana and Sewerage District No. 13 of the Parish of Jefferson, State of Louisiana). The District was established for the purpose of providing sewerage services for the residents of the unincorporated areas of Jefferson Parish, Louisiana. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. REPORTING ENTITY
For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No.1, the District is a component unit of Jefferson Parish, Louisiana, (the Parish), the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of Jefferson Parish, Louisiana.

2. FUND ACCOUNTING
The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District is presented in the accompanying financial statements as follows:

a. Proprietary Fund

(1) The Enterprise Fund is used to account for operations 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.

3. BASIS OF ACCOUNTING
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.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB)," Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

4. CASH, INVESTMENTS AND SHARE OF POOLED ASSETS
The "Share of Pooled Assets" of the District are pooled in the appropriate Jefferson Parish consolidated funds and invested directly by the parish. Interest earned on the pooled investments is allocated to the various funds based on each fund's month-end "Share of Pooled Assets" balance. Pooled assets are carried at cost plus accrued interest.

For purposes of the Statement of Cash Flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH, INVESTMENTS AND SHARE OF POOLED ASSETS (Continued)
Investments are stated at amortized cost, subject to adjustment for market declines judged to be other than temporary. Discounts and premiums on the purchase of investments are amortized over the life of the investment remaining from the date of purchase to the date of maturity.

All of the District's deposits, including cash and certificates of deposit, are carried at cost.

Louisiana statutes permit the District to invest in United States bonds, treasury notes, or certificates, or other obligations of the U.S. Government and agencies of the U.S. Government which are federally sponsored, and certificates of deposit of state banks and national banks having their principal office in the state of Louisiana, or in mutual or trust fund institutions which are registered and which have underlying investments limited to securities of the U.S. Government or its agencies.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS
The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

6. INVENTORY
Inventory of materials and supplies in the District is valued at average cost.

7. RESTRICTED ASSETS
Included in restricted assets is the "Construction Fund" account, which is used to segregate those resources accumulated by collection of sewer availability fees to be used for capital improvements and renovations.

8. PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment associated with the activity of the District are recorded as assets of that fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Also, assets are capitalized for those acquired through capital contributions.

In 2001, the Parish increased its threshold on capitalizing property, plant, and equipment from $2,000 to $5,000. As a result of this change in accounting policy, a restatement of the property, plant, and equipment has been reported in 2001.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives may be found in Note D. Depreciation expense applicable to those fixed assets acquired through capital contributions is closed out to the related contributed capital accounts rather than retained earnings. It is considered preferable under the matching concept, as receipts of these fixed assets have been recorded as additions to contributed capital.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

9. COMPENSATED ABSENCES
Vacation (annual leave) and sick pay (sick leave) are accrued when incurred in the District.

10. FUND EQUITY
Contributed capital is recorded for assets acquired by contributions from developers, customers or other funds.

A portion of total retained earnings of the District is reserved to indicate that a part of fund equity is legally restricted for a specific future use. Reserves for construction and from former Eastbank and Westbank Districts are provided for in the financial statements.

NOTE B - RECEIVABLES

Receivables consist of the following at December 31:

	2003	2002
Accounts	$ 3,000,376	$ 3,378,688
Ad Valorem Taxes	7,767,218	6,103,537
Due from Other Governments	9,240	137,473
	$ 10,776,834	$ 9,619,698

The District considers unbilled receivables at year-end to be those amounts for services received by customers in the current year, but not actually billed by the District until the following year. The unbilled receivable at December 31, 2003 and 2002 is $1,332,976 and $1,524,854, respectively.

The District had the following receivables due from other governments as of December 31:

	2003	2002
Due from Jefferson Parish Sheriff's Department	$ 9,240	$ 12,609
Due from State of Louisiana	-	14,690
Due from Federal Government	-	110,174
	$ 9,240	$ 137,473

NOTE C - RESTRICTED ASSETS

Restricted assets are comprised of the following:

	2003	2002
	CONSTRUCTION FUNDS	CONSTRUCTION FUNDS
Due from Jefferson Parish Sheriff's Department	$ 26,211,287	$ 27,893,212
Due from Federal Government	13,962	5,957
	$ 26,225,249	$ 27,899,169

NOTE D - PROPERTY, PLANT, EQUIPMENT, DEPRECIATION, AND CONSTRUCTION IN PROGRESS

A summary of changes in property, plant, equipment, depreciation and construction in progress for the year ended December 31, 2003 follows:

	BALANCE DECEMBER 31, 2002	ADDITIONS	COMPLETED CONSTRUCTION IN PROGRESS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 2003
Buildings	$ 8,736,741	$ -	$ -	$ -	$ 8,736,741
Collection and distribution system	332,398,239	-	-	729,077	333,127,316
Sewer treatment plants	140,630,934	-	2,313,900	-	142,944,834
Improvements	1,972,244	-	-	15,074	1,987,318
Equipment	3,488,409	212,742	-	(43,229)	3,657,922
Vehicles	5,223,850	229,421	-	(135,729)	5,317,542
	492,450,417	442,163	2,313,900	565,193	495,771,673
Land	11,830,313	-	-	-	11,830,313
	504,280,730	442,163	2,313,900	565,193	507,601,986
Construction in progress	-	-	-	-	-
	$ 504,280,730	$ 442,163	$ 2,313,900	$ 565,193	$ 507,601,986

	LIFE	ACCUMULATED DEPRECIATION DECEMBER 31, 2002	2003 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 2003
Buildings	50	$ 1,049,488	$ 174,735	$ -	$ 1,224,223
Collection and distribution system	50	78,793,849	6,672,888	-	85,466,737
Sewer treatment plants	10 - 50	39,623,763	2,884,359	-	42,508,122
Improvements	10	815,814	72,589	-	888,403
Equipment	5 - 10	2,600,393	160,832	(32,422)	2,728,803
Vehicles	5	3,393,266	609,432	(153,018)	3,849,680
		$ 126,276,573	$ 10,574,835	$ (185,440)	$ 136,665,968

NOTE D - PROPERTY, PLANT, EQUIPMENT, DEPRECIATION, AND CONSTRUCTION IN PROGRESS (Continued)

A summary of changes in property, plant, equipment, depreciation and construction in progress for the year ended December 31, 2002 follows:

	BALANCE DECEMBER 31, 2001	ADDITIONS	COMPLETED CONSTRUCTION IN PROGRESS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 2002
Buildings	$ 8,736,741	$ -	$ -	$ -	$ 8,736,741
Collection and distribution system	326,233,962	-	-	6,164,277	332,398,239
Sewer treatment plants	140,236,044	-	-	394,890	140,630,934
Improvements	911,246	-	-	1,060,998	1,972,244
Equipment	3,343,947	253,917	-	(109,455)	3,488,409
Vehicles	5,175,254	354,492	-	(305,896)	5,223,850
	484,637,194	608,409	-	7,204,814	492,450,417
Land	11,706,813	30,875	-	92,625	11,830,313
	496,344,007	639,284	-	7,297,439	504,280,730
Construction in progress	-	-	-	-	-
	$ 496,344,007	$ 639,284	$ -	$ 7,297,439	$ 504,280,730

	LIFE	ACCUMULATED DEPRECIATION DECEMBER 31, 2001	2002 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 2002
Buildings	50	$ 874,753	$ 174,735	$ -	$ 1,049,488
Collection and distribution system	50	72,247,524	6,546,325	-	78,793,849
Sewer treatment plants	10 - 50	36,766,914	2,856,849	-	39,623,763
Improvements	10	761,867	53,947	-	815,814
Equipment	5 - 10	2,541,446	144,333	(85,386)	2,600,393
Vehicles	5	3,082,526	624,784	(314,044)	3,393,266
		$ 116,275,030	$ 10,400,973	$ (399,430)	$ 126,276,573

Increases of $761,440 in property, plant, and equipment are the result of the capitalization of those assets constructed in Capital Project Funds. Those funds are reported in the Parish's Comprehensive Annual Financial Report. The Capital Project Funds are funded primarily by a parishwide dedicated sales tax to construct and improve the sewer plants and sewer lines of the parish.

NOTE E - COMPENSATED ABSENCES

All full-time classified employees of the Parish hired prior to April 26, 1986, are permitted to accumulate and carry forward from one calendar year to the next a maximum of 90 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. Upon termination of employment, an employee is paid for his accumulated annual leave and, after 10 years of employment, receives retirement credits for one half of accumulated (vested) sick leave and cash payment for the other half. Any employee who has a current balance of 90 or more days of annual leave may be reimbursed for any number up to, but not in excess of, 30 days. In addition, employees with less than 90 days, but more than 40 days of annual leave accrued may elect a one time per year option to sell up to 13 days. For budgetary purposes, requests for reimbursement must be submitted to the Finance Department in writing not later than October 1 of the year preceding the year in which reimbursement is to be made. At December 31, 2003 and 2002 the accrued annual and sick leave, and salary-related costs was $1,629,168 and $1,873,739, respectively.

Full-time classified employees hired after April 26, 1986, are permitted to carry forward no more than 40 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. These employees also have the one time annual option to sell leave as described above. Upon termination of employment an employee is paid for his accumulated annual leave and after 10 years of employment (vested) is paid up to 40 days of accrued sick leave.

Salary related costs (i.e., Medicare, Social Security, etc.) have been accrued as of December 31, 2003 and 2002 in accordance with GASB Statement #16 for those employees hired after April 1, 1986.

NOTE F - RESTRICTED NET ASSETS

Restricted net assets reserved for construction are as follows:

	2003	2002
Balance at January 1	$ 27,891,969	$ 26,974,575
Plant Investment Fees	695,419	574,352
Sewer Connection Fees	66,813	20,175
Interest earned	291,008	554,319
Costruction cost Incurred	(2,313,900)	-
Miscellaneous Income	-	-
General expense incruued	(521,755)	(231,452)
Transfers In/(Out)	-	-
Balance at December 31	$ 26,109,554	$ 27,891,969

NOTE G - SEWERAGE SERVICE RATES

Pursuant to Ordinance #20840, adopted by the Jefferson Parish Council on November 15, 2000, sewerage usage rates and service charges, are being adjusted annually beginning January 1, 2000. The annual adjustment will be equal to the U.S. City Average 12-month percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as compiled by the Bureau of Labor statistics.

NOTE G - SEWERAGE SERVICE RATES (Continued)

MONTHLY SERVICE CHARGE BILLINGS

METER SIZE (INCHES)	2003	2002
5/8 or 3/4	$ 0.99	$ 0.97
1	1.21	1.18
2	2.60	2.54
3	5.66	5.54
4	9.44	9.24
6	18.43	18.03
8	28.34	27.73
10	38.72	37.89
12	45.34	44.36

BI - MONTHLY SERVICE CHARGE BILLINGS

METER SIZE (INCHES)	2003	2002
5/8 or 3/4	$ 1.98	$ 1.94
1	2.41	2.36
2	5.18	5.07
3	11.34	11.01
4	11.88	18.47
6	36.83	36.04
8	56.65	55.43
10	77.43	75.76
12	90.64	88.69

Additionally, sewerage usage rates for residential customers were amended to provide for a volume charge which applies to 85% of total water consumption minus six thousand gallons times the volume rate charge of $1.61 per thousand gallons plus a minimum charge of $1.61 for monthly accounts and $3.24 for bi-monthly accounts.

NOTE H - AD VALOREM TAX

The Parish levies an ad valorem tax on property as of November 15 of each year to finance the budget for the following year. The tax is due and becomes an enforceable lien on the property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date. Taxes are levied based on property values determined by the Jefferson Parish Assessor's office. All land and residential improvements are assessed at 10 percent of fair market value, and other property at 15 percent of fair market value. Taxes are billed and collected by the Jefferson Parish Sheriff's Department which receives a certain millage for its services. The taxes remitted by the Sheriff's Department to the Parish are net of assessor's commission and pension fund contribution. Ad valorem taxes are recorded as revenue of the period for which levied, thus the 2002 property tax which was levied to finance the budget for 2003 was recorded as revenue for the year 2003. The 2003 property tax which was levied to finance the budget for 2004 is recorded as deferred revenue at December 31, 2003.

For the year ended December 31, ad valorem taxes were levied on behalf of the District as follows:

PURPOSE	MILLAGE	
	2002	2001
Maintenance and operations:		
Consolidated Sewerage District No. 1	5.00	4.16

NOTE I - INTEREST COST

No interest cost was capitalized during the years ended December 31, 2003 and 2002.

NOTE J - OPERATING TRANSFERS

The District had the following operating transfers:

FUND TRANSFERRED TO OR FROM	2003 OPERATING TRANSFERS IN/OUT	2002 OPERATING TRANSFERS IN/OUT
Westbank Drainage Yard	$ -	$ (200,956)
Sewer Capital Program	2,300,000	2,093,474
NOAA Grants - FEMA Distribution	(19,971)	-
	$ 2,280,029	$ 1,892,518

NOTE K - RISK MANAGEMENT

GENERAL LIABILITY

The Parish is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risks of loss, the Parish has established a General Liability Fund (an internal service fund). Under this program, the General Liability Fund provides coverage for up to a maximum of $500,000 for each worker's compensation claim, $500,000 for each general liability claim, and $500,000 for each automobile claim. The parish also purchases commercial insurance for claims in excess of coverage provided by the fund.

The District makes payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" are reported as quasi-external transactions. The District's premiums were $899,282 and $977,977 for 2003 and 2002, respectively.

At December 31, 2003 and 2002 the total outstanding claims liability of the General Liability Fund was $25,376,747 and $24,603,329, respectively. The claim liability includes an estimated liability for incurred but not reported claims of $12,625,278 and $11,342,519 for 2003 and 2002, respectively. The estimated claim liability is determined by the third-party administrator based on historical information and anticipated payments. These liabilities are based on the requirements of GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Claims liability is not available by individual fund.

HEALTH INSURANCE

The Parish provides health and accident insurance to its employees exclusively through health-maintenance organizations (HMO's) and point of service organizations (POS). Under these types of programs, the District pays initial premiums based on the level of the employee's participation and has no further liabilities on any claims.

The total amount of contributions by the District for health insurance was $695,452 and $662,081 for 2003 and 2002, respectively.

UNEMPLOYMENT COMPENSATION

The Parish is self-insured for unemployment claims filed with the state. To account for and finance these claims, the Parish has established a Self-Insurance Fund (an internal service fund) whereby each fund contributes .45 percent of its annual payroll into the

NOTE K - RISK MANAGEMENT (Continued)

fund. In 1996, the contribution was temporarily suspended until such time as additional funding is needed to cover outstanding claims.

The interfund "premiums" are reported as quasi-external transactions.

NOTE L - COMMITMENTS AND CONTINGENCIES

MANAGEMENT CONTRACT

On October 1, 2000, the Consolidated Sewerage District entered into a professional service agreement with Azurix North America Corp. to provide operation and maintenance services for the East Bank Wastewater Treatment Plant. The agreement is for a period of five years and the District has the option to renew the agreement for two five-year terms. The cost of these services shall be $2,026,426 for the first year with annual adjustments in accordance with the contract.

Total payments under the new contract were $2,444,664 and $2,387,462 for the years ended 2003 and 2002, respectively.

LITIGATION

The Parish is a defendant in a number of claims and lawsuits resulting principally from personal injury, property damage, and construction claims. The Parish Attorney and the outside administrator of the Parish's Risk Management Fund have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the District and to arrive at an estimate, if any, of the amount or range of potential loss to the District. As a result of such review, the various claims and lawsuits have been categorized into "probable", "reasonably possible" and "remote" contingencies, as defined in FASB No. 5 for claims and judgments. Loss contingencies estimated at $ -0- categorized as "probable" have been accrued as other liabilities of the District at December 31, 2003. The District's "reasonably possible" loss contingencies at December 31, 2003 and 2002, for which an amount of liability can be estimated, approximates $ -0- for the year ended December 31, 2003 and $ -0- for the year ended December 31, 2002.

NOTE M - PENSION PLANS

The District's employees participate in the retirement systems described below. The pension expense recorded by the District for contributions to the retirement systems for the year ended December 31, 2003 and 2002 were $654,873 and $638,447, respectively.

Actuarial data and other information of the two plans, as it relates to the District, is unattainable for the separate component units of the Parish.

Plan Membership

Substantially all of the Parish's full-time employees, except the firemen, are participants in The Employees' Retirement System of Jefferson Parish (the Parish Plan), a single-employer defined benefit pension plan, and the Parochial Employees' Retirement System of Louisiana (the State Plan), a cost-sharing multiple-employer defined benefit plan.

The Parish Plan covers employees who were hired prior to December 15, 1979. As of that date, the Parish Plan was merged with the State Plan and members of the Parish Plan also became members of the State Plan. Employees hired subsequent to the merger of the two systems may participate only in the State Plan.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH (The Parish Plan)

Plan Description

The Employees' Retirement System of Jefferson Parish Board of Trustees (The Board) administers The Employees' Retirement System of Jefferson Parish (the Parish Plan), a single-employer defined benefit pension plan created by Jefferson Parish Ordinance 11027. The Parish Plan covers employees who were hired prior to December 15, 1979. As of that date, the Parish Plan became a closed plan and was merged with the Parochial Employees' Retirement System of Louisiana (The State Plan) whereby members of the Parish Plan continued to be members of the State Plan.

NOTE M - PENSION PLANS (Continued)

The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Parish Plan. The financial report for year ended December 31, 2003 may be obtained by writing to: The Employees' Retirement System of Jefferson Parish, 3331 Metairie Road, Metairie, LA 70001 or by calling 504-831-4040.

Employees who are members of the Parish Plan only receive benefits equal to one percent of the highest three-year average annual compensation plus two percent of the first $1,200 of average compensation for each year of service. The benefits for employees who are members of the Parish Plan only, with less than 20 years of service, are reduced by three percent per year for each year participants receive benefits below the age of 62. Parish Plan participants who are also members of the State Plan receive benefits equal to three percent of the highest three-year average annual compensation for each year of service reduced by any amounts paid by the State Plan. The total combined payments of both plans may not exceed 100 percent of the member's final average compensation. Retirement benefits are payable monthly for the life of the retiree. Under certain conditions, upon the retiree's death, benefits are payable by the Parish Plan to the retiree's surviving spouse and minor children.

Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Parish Plan are prepared using the accrual basis of accounting. Contributions from employees are recognized as revenue in the period in which employees provide services. Contributions made by Jefferson Parish, the employer, are recognized when due and the employer has made a formal commitment to provide the contributions. Pension benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the Parish Plan. Investment income is recognized as earned by the Parish Plan.

Method Used to Value Investments – All investments of the Parish Plan are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

Concentrations of Credit Risk – The Parish Plan had 53% of plan net assets invested in one mutual fund. Other than this mutual fund, no investment in any one organization, other than the U. S. Government, represented 5% or more of plan net assets.

Funding Policy – The Parish Council requires that the Parish Plan be funded on an actuarially sound basis. The funding policy provides for contributions from employee and employer which are actuarially determined. In 2003, employees made contributions of 6.05% of gross earnings and employer contributions were 7.32% of annual covered payroll.

Annual Pension Cost – The annual pension cost of the Parish Plan for the current year was $1,428,134 and the employer contributions were $1,590,147. The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the Entry Age Normal Cost Method with Unfunded Actuarial Accrued Liability.

This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

Significant actuarial assumptions used in the valuation include: 1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; 2) projected salary increases of 6.0% per year compounded annually, attributable to inflation of 3.25% and merit of 2.75%. The actuarial value of assets is set equal to market value of assets adjusted to phase in realized and unrealized capital gains (losses) over a three year period. This technique smoothes the volatility of market values for investments. The unfunded actuarial accrued liability is being amortized over a 40 year period beginning on January 1, 1980 using a level dollar amortization method on an open basis.

Annual Pension Cost and Net Pension Obligation:	
Annual required contribution	$ 1,551,896
Adjusted to annual required contribution	(123,762)
Annual pension cost	1,428,134
Contribution made	(1,590,147)

NOTE M - PENSION PLANS (Continued)

Decrease in net pension obligation	(162,013)
Net pension obligation beginning of year	4,176,988
Net pension obligation end of year	$ 4,014,975

Schedule of Employer Contributions

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
12/31/03	$ 1,428,134	111.34%
12/31/02	1,148.230	135.25%
12/31/01	1,137,877	130.21%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio Percentage	Covered Payroll	UAAL as % of Covered Payroll
2003	$ 25,587,899	$37,495,544	$11,907,645	68.24%	$16,051,437	74.18%
2002	25,709,045	36,209,600	10,500,555	71.00%	17,476,103	60.09%
2001	25,984,281	34,471,423	8,487,142	75.38%	19,285,326	44.01%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA (The State Plan)

Plan Description

The Parochial Employees' Retirement System Board of Trustees (The Board) administers the Parochial Employees' Retirement System (the State Plan), a cost-sharing multiple-employer defined benefit plan established by the Louisiana legislature as of January 1, 1953, by Act 205 of 1952. The State Plan was revised by Act No. 765 of 1979, effective January 1, 1980, to create the Plan A and Plan B fund to replace the "regular plan" and the "supplemental plan". Plan B Fund replaced the "regular plan". The State Plan is operating pursuant to LSA-R.S. 11:1901 through 11:2015. The State Plan covers employees who were hired subsequent to December 15, 1979.

Under the State Plan, a member is eligible for normal retirement if the participant has at least 30 years of creditable service regardless of age, or 25 years of creditable service and is at least 55 years old, or 10 years of creditable service and is at least 60 years old or 7 years of creditable service and is at least 65 years old. The monthly retirement benefit is equal to three percent of the member's average monthly compensation for any 36 months of consecutive service in which compensation was highest, multiplied by years of creditable service, not to exceed 100 percent of the member's final compensation. Retirement benefits are payable monthly for the life of the retiree. Under certain conditions, upon the retiree's death, benefits are payable to the retiree's surviving spouse and minor children.

The State Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report for the year ended December 31, 2002 may be obtained by writing to: The Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, La 70898.

NOTE M - PENSION PLANS (Continued)

Summary of Significant Accounting Policies

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting. Contributions from employers and employees are recognized as revenue in the period in which employees provide services to the employers. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

Concentrations of Credit Risk – No investment in any one organization represents 5% or more of the net assets available for pension benefits.

Funding Policy – Member contributions, established by Statute at 9.5% of compensation for Plan A and 2% of compensation for Plan B, are deducted from the member's salary and remitted by the participating employers. Employer contributions are actuarially determined every fiscal year according to statutory process. The unfunded actuarial accrued liability is being amortized over a 30 year period under the frozen attained age normal cost method, assuming an investment rate of return of 8% and projected salary increases of 6% for Plan A. The aggregate actuarial cost method is used to calculate the funding requirements for Plan B. This method does not develop an unfunded actuarial liability. Written notice of these rates is provided to employers annually. In 2002, these employer rates were 7.75% for Plan A and 2.75% for Plan B.

Schedule of Jefferson Parish Employer Contributions

	Plan A	
Fiscal Year Ended	Actuarial Required Employer Contribution	Percentage of ARC Contributed
2002	$6,460,379	109.14%
2001	5,046,711	137.22%
2000	4,659,390	145.17%

NOTE N - DEFERRED COMPENSATION PLAN

The Parish offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Parish employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In 1996, the U. S. Congress passed the Small Business Job Protection Act of 1996, which requires that employer governments place all amounts deferred under IRC Section 457 into a trust for the exclusive benefit of participants and their beneficiaries. This change was allowed as early as January 1, 1997, but must be done by January 1, 1999. In prior years, these assets were solely the property of the Parish and subject to claims of general creditors, and were reported in the Jefferson Parish financial statements. During the year ended December 31, 1998, the Parish amended its Plan to comply with the requirements of the Act. Thus, the Parish no longer has ownership of the Plan assets and they are no longer reported in the financial statements

NOTE 0 - POST-RETIREMENT HEALTH CARE

Health Care

In addition to providing pension benefits, the Parish provides certain health care benefits for retired employees as authorized by Resolution No. 74791. Substantially all employees who reach normal retirement age while working for the Parish are eligible. The cost

NOTE O - POST-RETIREMENT HEALTH CARE (Continued)

of these benefits is recorded as expenditures when the premiums are paid. The health care premiums for retired employees of the district amounted to $130,136 and $108,955 for 2003 and 2002, respectively.

Cost of Living Plan

In addition to the health care benefits noted above, the Parish also provides a supplement to retirees' pensions as authorized by Ordinance No. 18176. This benefit is available to retirees participating in either the Employees' Retirement System of Jefferson Parish or the Parochial Employees' Retirement System of Louisiana who have been retired for at least one year. This additional benefit is paid once a year and is calculated as 2% of the monthly benefit times the number of months the person has been retired including partial years. The minimum additional payment is $350 and the maximum payment is $1,200. Any additional payment due to the retiree per these calculations is further reduced by any cost of living adjustment benefit paid by the Parochial Employees' Retirement System of Louisiana (not available to all plan participants).

NOTE P - BOARD COMPENSATION

The District has no board compensation, as its governing authority is the Jefferson Parish Council whose compensation is disclosed in the Parish's Comprehensive Annual Financial Report.

NOTE Q - PRIOR PERIOD ADJUSTMENT

In 2001, the entire amount related to accumulated employee sick leave was accrued when GASB Statement 16, *Accounting for Compensated Absences* requires accrual for only that portion employees are eligible to receive upon termination and for which it is probable that the employer will pay. As a result net assets were understated by $638,775 and accrued payroll expense was overstated by $638,775. The financial statements for the year ended December 31,2002 have been restated. The effect of the restatement was to increase net assets by $638,775 and decrease accrued payroll expense by $638,775.

NOTE R - RESTATEMENT

The accompanying financial statements for the year ended December 31, 2002 have been restated to properly reflect the accrued payroll expenses. The effect of the restatement was to decrease personnel services expenses by $15,216 and decrease the operating loss by $15,216.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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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 Honorable Parish President and
The Honorable Jefferson Parish Council
Jefferson Parish, Louisiana

We have audited the financial statements of Consolidated Sewerage District No.1 of the Parish of Jefferson, State of Louisiana (the District), as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated May 27, 2004. We conducted our audits 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. 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.

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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 general purpose 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.

This report is intended solely for the information and use of management, the Jefferson Parish Council, the U.S. Department of Health and Human Services (the cognizant agency), and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Luther C. Speight & Co

Luther C. Speight & Company
May 27, 2004