

**WATER DISTRICT NO. 1
OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Annual Financial Report

June 30, 2004 and 2003

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

Release Date 9-29-04



STAGNI & COMPANY, LLC

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
Annual Financial Report
June 30, 2004 and 2003**

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**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004**

Our discussion and analysis of Water District No. 1 of the Parish of Lafourche, State of Louisiana's (Water District No. 1) financial performance provides an overview of financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Net assets of our business-type activities increased by 1.7 million or 4.3%.
- Total revenues increased to 10.0 million or 2.0% from the prior year, while expenses increased to \$8.7 million or 7.4%.
- Total spending for all waterworks activities was \$8.7 million for the year, which was \$1.3 million less than the revenue generated for these activities of \$10.0 million.
- Capital contributions increased to \$406,619 or 100% over last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts: Management's Discussion and Analysis, the Financial Section, Required Supplementary Information, and Other Supplemental Schedules. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The *Basic Financial Statements* - Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses and Net Assets and the Comparative Statement of Cash Flows provide both long-term and short-term information about the overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net assets and how they have changed. Net assets - the difference between assets and liabilities - is one way to measure financial health, or position. Over time, increases or decreases in net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The Comparative Statement of Net Assets also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility.

All of the current year's revenue and expenses are accounted for in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of operations over the past year and can be used to determine whether

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For the Year Ended June 30, 2004**

operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Comparative Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting for operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the Independent Auditor's Report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

The Lafourche Parish Water District utilizes a proprietary fund type – and enterprise fund for reporting. When the Water District charges customers for the services it provides—whether to residential or commercial customers—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Water District's enterprise fund is the same as a business-type entity.

FINANCIAL ANALYSIS AS A WHOLE

Our analysis that follows focuses on the net assets (Table 1) and changes in net assets (Table 2) of the business-type activities.

NET ASSETS

To begin our analysis, a condensed summary of the Comparative Statement of Net Assets is presented in Table A-1.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004**

Table A-1
Condensed Statement of Net Assets
(In millions of dollars)

	FY 2004	FY 2003	Dollar Change	Total Percent Change
Current and Restricted Assets	\$ 22.7	\$ 24.2	\$ (1.5)	-6.2%
Capital Assets	43.4	40.9	2.5	6.1%
Total Assets	66.1	65.1	1.0	1.5%
Long-term Debt Outstanding	22.1	23.2	(1.1)	-4.7%
Other Liabilities	3.2	2.8	0.4	14.3%
Total Liabilities	25.3	26.0	(0.7)	-2.7%
Invested in Capital Assets, Net of Related Debt	28.9	27.1	1.8	6.6%
Restricted	3.8	3.9	(0.1)	-2.6%
Unrestricted	8.1	8.1	-	0.0%
Total Net Assets	\$ 40.8	\$ 39.1	\$ 1.7	4.3%

As can be seen from the table above, net assets increased \$1.7 million to \$40.8 million from \$39.1 million in the prior year. Looking up the table you will see that Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) decreased by \$100,000. Unrestricted Net Assets remained the same at 8.1 million. The Net Asset invested in Capital increased by \$1.8 million absorbing all of the positive change in net assets.

CHANGES IN NET ASSETS

A condensed summary of the Comparative Statement of Revenues, Expenses and Changes in Net Assets is presented in Table A-2.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004**

Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In millions of dollars)

	<u>FY 2004</u>	<u>FY 2003</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$ 8.5	\$ 8.1	\$ 0.4	4.9%
Nonoperating Revenues	1.5	1.7	(0.2)	-11.8%
Total Revenues	10.0	9.8	0.2	2.0%
Depreciation Expense	2.0	2.2	(0.2)	-9.1%
Other Operating Expenses	5.5	5.3	0.2	3.8%
Nonoperating Expenses	1.2	0.6	0.6	100.0%
Total Expenses	8.7	8.1	0.6	7.4%
Income before Capital Contributions	1.3	1.7	(0.4)	-23.5%
Capital Contributions	0.4	0.2	0.2	100.0%
Change in Net Assets	1.7	1.9	(0.2)	-10.5%
Beginning Net Assets	39.1	37.2	1.9	5.1%
Ending Net Assets	\$ 40.8	\$ 39.1	\$ 1.7	4.3%

While the Comparative Statement of Net Assets shows the change in financial position of net assets, the Comparative Statement of Revenues, Expenses, and Net Assets shows the changes in net assets. As can be seen the Table A-2 above, income before contributions was the primary source of the \$1.7 million increase in net assets.

A closer examination of the changes in net assets reveals that total revenues increased by \$.2 million to \$10.0 million from \$9.8 million. This increase, mainly in operating revenues, was due to increased sales to metered customers. However, not all of the news was favorable as costs of operations were also on the rise, increasing by \$.6 million to \$8.7 million from \$8.1 million. This increase was primarily from the increase in operating expenses in the water treatment and in nonoperating expenses due to an increase in the interest expense on the bonds due to the 2003 issue.

BUDGETARY HIGHLIGHTS

As required by its bond covenants, Water District No. 1 adopts an Operating and Capital Works Budget no later than June 30th of each year. The budget remains in effect the entire year unless it is revised.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004**

A budget comparison and analysis is presented to the Board in monthly interim financial statements. The adopted budget was not revised in 2004. A comparison of budget and actual is presented in Table A-3.

Table A-3
Condensed Comparison of Budget and Actual
(In millions of dollars)

	Budget	FY 2004	Dollar Variance	Total Percent Variance
Operating Revenues	\$ 8.2	\$ 8.5	\$ 0.3	3.7%
Nonoperating Revenues	1.2	1.5	0.3	25.0%
Total Revenues	9.4	10.0	0.6	6.4%
Other Operating Expenses	5.5	5.5	-	0.0%
Depreciation	2.4	2.0	0.4	16.7%
Nonoperating Expenses	1.1	1.2	(0.1)	-9.1%
Total Expenses	9.0	8.7	0.3	3.3%
Income before Capital Contributions	0.3	1.3	1.0	333.3%
Capital Contributions	-	0.4	0.4	100.0%
Change in Net Assets	0.3	1.7	1.4	466.7%
Beginning Net Assets	33.8	39.1	5.3	15.7%
Ending Net Assets	\$ 34.1	\$ 40.8	\$ 6.7	19.6%

Budget variance explanations:

- Operating revenues varied due to an increase in residential sales that was not anticipated.
- Non-operating revenues varied due to an increase in ad valorem taxes collected from an increase in property tax values assessed.
- Non-operating expenses varied primarily due to a difference in the amount of amortized bond discount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2004, the Water District had \$43.4 million invested in a broad range of capital assets as summarized in Table 4 below. This amount represents a net increase (including additions and deductions) of \$2.5 million, or 6.1 percent, over last year.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Table A-4
Summary of Capital Assets

	2002	2003	2004
Land and Right of Ways	\$ 891,616	\$ 954,483	\$ 952,583
Construction in Progress	5,803,536	2,413,708	2,156,634
Water Plant & Building	15,393,884	17,790,948	18,080,788
Transmission & Distribution	46,444,392	51,749,718	56,103,631
Distribution Equipment	548,191	565,435	576,441
Administration Buildings	534,267	534,267	542,167
Furniture & Equipment	281,271	300,834	295,928
Transportation Equipment	459,410	460,733	460,508
Total Cost of Assets	70,356,547	74,770,126	79,168,680
Accumulated Depreciation	(31,826,023)	(33,827,657)	(35,723,215)
Total Capital Assets, Net	\$ 38,530,524	\$ 40,942,469	\$ 43,445,465
Depreciation Expense	\$ 2,223,147	\$ 2,208,362	\$ 1,997,927

During this year there was \$4.73 million of additions and \$76,000 of disposals, reflecting a net increase of \$4.65 million in capital assets at historical cost.

This year's major capital additions included:

- Emergency Power Supply North & South Plant \$1,856,742
- Waterline Replacement W107, W136, et al \$ 131,173
- 8" Line Leeville Booster to Parish Line \$ 100,000
- 12" Main -Highway 20 to Thibodaux \$ 479,539
- 18" Crossing of Bayou Lafourche \$ 485,845
- Waterline Replacement E150th St., et al \$ 233,294
- Addition High Service Main - N. Plant \$ 244,946
- Waterline Replacement W233th St, et al. \$ 242,372

Additional detailed information about capital assets is presented in Note 6 to the financial statements.

LONG-TERM DEBT

At year-end, the Water District had \$23.5 million in bonds outstanding versus \$24.4 million last year—an decrease of 3.9 percent—as shown in Table 5.

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	Table A-5 Outstanding Debt		
	2002	2003	2004
Water Revenue Bonds:			
\$10,000,000 dated 10/1/1996	\$ 9,200,000	\$ 8,705,000	\$ 8,175,000
\$10,000,000 dated 1/1/2002	10,000,000	9,715,000	9,410,000
\$6,000,000 dated 5/1/2003		6,000,000	5,880,000
Total outstanding	<u>\$ 19,200,000</u>	<u>\$ 24,420,000</u>	<u>\$ 23,465,000</u>

The Water District does not plan on issuing any more new debt to finance major capital improvements, but will be reviewing bond market conditions for financing future year capital expenditures. More detailed information about long-term debt is presented in Note 7 to the financial statements.

Bond Ratings

Outstanding bonds carry the following ratings:

- 1996 bonds are AAA rating (insured) from Moody's
- 2002 bonds are A3 rated (not insured) from Moody's
- 2003 bonds are Aaa rated (insured) from Moody's

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2005, it is estimated that the District:

- Will serve an average of 29,401 customers; an increase of 462 over the average customers served for the twelve-month period ended March 31, 2004
- Will generate water sales in the amount of 3,211,885 M gallons, a increase of 6,551 M gallons
- Resulting water service revenues are estimated to amount to \$7,947,729, which would be \$123,692 less than the March 31st twelve-month period of \$8,071,421
- Will collect \$284,400 for connection charges and penalties for late payment of bills, or about 40 percent of the level of the comparison year, which will result in total revenues of \$8,232,129, down by \$313,590 or 3.7 percent.

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For the Year Ended June 30, 2004**

Table A-6
June 30, 2005 Summary of Projected Budget

Water Service Revenue	\$ 7,947,729
Other Operating Revenue	284,400
Total Operating Revenue	<u>8,232,129</u>
Operating Expenses	<u>(7,736,202)</u>
Net Operating Revenue	495,927
Other Income	1,454,206
Other Expenses	<u>(1,100,616)</u>
Net Income	<u>\$ 849,517</u>

Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied. On November 18, 1995 voters elected to continue a tax of 3.99 mills per annum to expire in 2005. For the fiscal year 2004, the Board of Commissioners approved a 3.81 mill levy on which the fiscal year 2004 budget revenue has been estimated.

The District's capital expenditures budget for fiscal year 2005 provides for total expenses of \$13,361,435, including \$9,903,350 of new construction projects. Some of the most significant projects are as follows:

- 18" Water Main Leeville Bridge to Leeville No. 2 B.S. \$ 952,350
- 18" Water main Leeville No. 1 B.S. to Leeville Bridge \$1,060,000
- Solids Handling System at South Plant \$ 675,000
- North Bayou Blue 300,000 Gallon Tank \$ 570,000
- North Bayou Blue Supply Main \$ 580,000
- 18" Water Main Leeville No. 1 to Golden Meadow \$1,170,000
- 18" Water Main Golden Meadow Floodgate \$ 849,000
- 18" Water Main Golden Meadow BS to Galliano BS \$1,040,000
- 18" Water Main Galliano B.S. to Cut Off B.S. \$1,337,500
- 18" Water Main Cut Off B.S. to Larose B. S. \$1,337,500

In summary, the proposed budget indicates that the District will not only meet cash requirements but will also have fund balances as required by the three outstanding bond resolutions.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004**

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of our finances and to demonstrate accountability for the money we receive. If you have questions about this report or need additional financial information, contact:

Mona Zeringue, Office Manager,
P.O. Box 399, Lockport, LA 70374,
1-800-344-1580

FINANCIAL SECTION



STAGNI & COMPANY, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2003 and 2004, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Water District No. 1's management. Our responsibility is to express an opinion on these basic 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Water District No. 1 as of June 30, 2003 and 2004, and the respective changes in financial position and cash flows 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 August 9, 2004 on our consideration of Water District No. 1's internal control over financial reporting and 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.

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana
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Management's Discussion and Analysis and Other Required Supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole that collectively comprise the Water District's basic financial statements. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Water District No. 1. Such information, except for the schedule of Metered Water Customers and the Schedule of Insurance in Force marked "unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stagni & Company

Thibodaux, Louisiana
August 9, 2004



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Net Assets
Water Enterprise Fund
June 30, 2004 and 2003

ASSETS	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,652,999	\$ 5,489,813
Investments	5,903,344	2,009,170
Receivables:		
Water sales	609,205	568,118
Unbilled water sales	554,918	580,611
Sewerage	35,416	23,872
Other	217,550	254,836
Inventory	470,243	430,731
Prepaid insurance	224,673	167,158
Total current assets	<u>9,668,348</u>	<u>9,524,309</u>
RESTRICTED ASSETS (cash and investments):		
Water revenue bond current debt service cash with fiscal agent	542,270	482,317
Water revenue bond current debt service investment account	1,161,278	1,201,368
Water revenue bond future debt service reserve account	1,667,639	1,659,305
Construction	8,636,301	10,340,959
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	145,643	118,736
Customer meter deposits investments	700,000	700,000
Total restricted assets	<u>13,053,131</u>	<u>14,702,685</u>
PROPERTY, PLANT AND EQUIPMENT:		
at cost (net of accumulated depreciation of \$35,723,215 for 2004 and \$33,827,657 for 2003)	<u>43,445,465</u>	<u>40,942,469</u>
TOTAL ASSETS	<u>\$ 66,166,944</u>	<u>\$ 65,169,463</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 104,827	\$ 65,307
Contracts payable	338,217	225,098
Retainage payable	173,553	224,513
Due to other entities for water sale collections	95,927	65,923
CURRENT LIABILITIES (payable from restricted assets):		
Bonds due within one year	1,090,000	955,000
Interest accrued	542,270	482,318
Customer meter deposits	845,345	818,650
Total current liabilities	<u>3,190,139</u>	<u>2,836,809</u>
LONG-TERM DEBT		
Bonds due after one year (net of unamortized discount of \$212,651 for 2004 and \$228,726 for 2003)	<u>22,162,349</u>	<u>23,236,274</u>
Total liabilities	<u>25,352,488</u>	<u>26,073,083</u>
NET ASSETS		
Invested in capital assets, net of related debt	28,874,452	27,040,051
Restricted for:		
Customer Deposits	845,643	818,736
Capital Projects	1,244,965	1,207,103
Debt Service	1,738,917	1,905,672
Unrestricted	8,110,479	8,124,818
Total net assets	<u>40,814,456</u>	<u>39,096,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,166,944</u>	<u>\$ 65,169,463</u>

See Notes to Financial Statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Comparative Statement of Revenues, Expenses and Changes in Net Assets
Water Enterprise Fund
For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Metered sales to regular customers	\$ 8,135,947	\$ 7,819,043
Metered sales to industrial and municipal customers	4,013	10,296
Connection charges and other revenues	<u>351,582</u>	<u>314,294</u>
	<u>8,491,542</u>	<u>8,143,633</u>
OPERATING EXPENSES:		
Water purchased for resale	30,015	27,097
Water treatment expenses	2,501,902	2,150,269
Transmission and distribution expenses	1,466,160	1,493,144
Customer accounts expenses	665,947	639,088
Administrative and general expenses	870,167	1,021,461
Depreciation of utility system	<u>1,997,927</u>	<u>2,208,362</u>
	<u>7,532,118</u>	<u>7,539,421</u>
Income from operations	<u>959,424</u>	<u>604,212</u>
NON-OPERATING REVENUE:		
Investment income	257,340	415,011
Ad Valorem taxes	1,266,429	1,213,974
Shared revenue	49,930	49,695
Other income	1,731	2,772
Donation of Materials (Inventory)	-	21,426
	<u>1,575,430</u>	<u>1,702,878</u>
NON-OPERATING EXPENSES:		
Interest on bonds	1,106,690	619,964
Amortization of debt discount and expense	16,076	16,076
(Gain) loss on sale of fixed assts	983	(5,631)
(Gain) loss on investments	<u>99,648</u>	<u>44,145</u>
	<u>1,223,397</u>	<u>674,554</u>
Income or loss before contributions	1,311,457	1,632,536
Capital contributions	406,619	241,434
Change in net assets	1,718,076	1,873,970
Net Assets:		
Beginning of year	39,096,380	37,432,773
Prior period adjustment	-	(210,363)
Beginning of year, as restated	<u>39,096,380</u>	<u>37,222,410</u>
End of year	<u>\$ 40,814,456</u>	<u>\$ 39,096,380</u>

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Cash received from customers	\$ 8,528,585	\$ 7,894,557
Cash payments to suppliers for goods and services	(3,348,007)	(3,949,678)
Cash payments made to employees for services	(2,151,528)	(2,068,407)
Net cash provided (used) by operating activities	3,029,050	1,876,472
Cash flows from noncapital financing activities:		
Ad valorem taxes received	1,266,429	1,213,974
Revenue sharing grant	49,930	49,695
Other noncapital financing revenue	1,731	24,198
Net cash provided (used) by noncapital financing activities	1,318,090	1,287,867
Cash flows from capital and related financing activities:		
(Acquisition) sale of capital assets	(4,094,302)	(4,589,235)
Gain / (Loss) on sale/abandoned assets	(983)	5,631
Bond Proceeds	-	6,000,000
Principal paid on revenue bond maturities	(938,925)	(763,924)
Interest paid on revenue bonds	(1,062,814)	(812,947)
Net cash provided (used) for capital and related financing activities	(6,097,024)	39,525
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investments	(3,384,777)	2,370,426
Gain (loss) on sale of investments	(99,648)	(44,145)
Interest and dividends on investments	257,340	415,011
Net cash provided (used) by investing activities	(3,207,085)	2,741,292
Net increase (decrease) in cash and cash equivalents	(4,956,969)	5,945,156
Cash and cash equivalents at the beginning of year	9,540,974	3,595,818
Cash and cash equivalents at the end of year	\$ 4,584,005	\$ 9,540,974
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 1,652,999	\$ 5,489,813
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service account and cash with fiscal agent	1,703,548	1,683,685
Construction account	1,081,815	2,048,741
Water revenue bond contingency account	-	200,000
Customer meter deposits	145,643	118,736
	\$ 4,584,005	\$ 9,540,975
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 959,424	\$ 604,212
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,997,927	2,208,362
Changes in assets and liabilities:		
(Increase) decrease in receivables	10,348	(275,386)
(Increase) decrease in inventory	(39,512)	(65,743)
(Increase) decrease in prepaid insurance	(57,515)	(44,624)
Increase (decrease) in accounts payable	69,524	(231,639)
Increase (decrease) in contracts and retainage payable	62,159	(345,020)
Increase (decrease) in customer deposits	26,695	26,310
Total adjustments	2,069,626	1,272,260
Net cash provided (used) by operating activities	\$ 3,029,050	\$ 1,876,472
Noncash investing and financing activities:		
Acquisitions of fixed assets through capital contributions	\$ 406,619	\$ 241,434

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Water District No. 1 of the Parish of Lafourche, State of Louisiana, (Water District No. 1) was created by the Police Jury of the Parish of Lafourche in accordance with the provisions of Act 343 of the Louisiana Legislature. The Board of Commissioners consists of 11 members who serve for an indefinite term, at the pleasure of the Lafourche Parish Council.

Water District No. 1's boundaries encompass the entire Parish of Lafourche, except for the City of Thibodaux. The services provided by Water District No.1 include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The accounting and reporting policies of Water District No. 1 conform to generally accepted accounting principles applicable to state and local governments. The following significant accounting polices were applied in the preparation of the accompanying financial statements.

Note 1 *Summary of Significant Accounting Policies*

Reporting Entity

The financial statements include all accounts of the Water District No. 1's operations. The criteria for including organizations as component units within the Water District No. 1's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Council holds the Corporate powers of the organization
- The Council appoints the voting majority of the Board of Commissioners
- The Council is able to impose its will on the organization
- The entity is able to impose a financial benefit/burden on the Council
- There is a fiscal dependency by the organization on the Council

Based on the above criteria Water District No. 1 is considered a component unit of the Lafourche Parish Council.

Method of Accounting

On July 1, 2001 the Water District No. 1 adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board – "*Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 1 *Summary of Significant Accounting Policies (Continued)*

Method of Accounting, (Continued)

For Water District No. 1, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Water District No. 1 are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the Water District No. 1 has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

Water District No. 1's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Water District No. 1's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 1 *Summary of Significant Accounting Policies (Continued)*

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

Inventories and Prepaid Items

Materials and supplies inventory is valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The Water District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date donation.

Water District No. 1 maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure fixed assets (water lines and systems) that are immovable and of value are reported in accordance with the Water District No. 1's policies. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is accrued when considered material and is included as part of the capitalized value of assets constructed.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7 - 44 years
Transmission and Distribution System	3 - 44 years
Distribution and Maintenance	5 - 10 years
Administration and Office Buildings	25 - 30 years
Furniture and Equipment	3 - 8 years
Transportation Equipment	3 years

Compensated Absences

Water District No. 1 provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities.

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.

Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.

All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31st of each year shall be lost.

The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$26,887 is included in accounts payable and accrued expenses on the Comparative Statement of Net Assets.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 1 *Summary of Significant Accounting Policies (Continued)*

Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond discounts and bond issuance costs are being amortized on the interest method over term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the interest method, over the term of the related obligation. Bond discounts are presented as a reduction to revenue bonds on the accompanying financial statements.

Restricted Net Assets

On July 1, 2001 the Water District adopted the provisions of GASBS Statement No. 34. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, statement of activities and changes in net assets and a statement of cash flows. It requires classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital asset, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as proceeds.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – The component of net asset consist of net assets that do not meet definition of “restricted” or “invested in capital assets, net of related debt.”

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are either unusual in nature or infrequent in occurrence.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 1 *Summary of Significant Accounting Policies (Continued)*

Estimates

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

Risk Management

Water District No. 1 has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, end to pollution, terrorism risk, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 2 *Stewardship, Compliance and Accountability*

Budget Information

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 19, 2003 at the regular board meeting.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 3 *Deposits with Financial Institutions and Investments*

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2004 and 2003, the carrying amounts of deposits were \$7,440,912 and \$6,990,866 and the bank balances were \$7,664,396 and \$7,242,104. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

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 values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

FDIC and pledged securities valued at \$9,294,410 and \$9,053,757 for 2004 and 2003, respectively, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the entity that the fiscal agent has failed to pay deposited funds upon demand.

Investments are categorized into three risk categories of credit risk:

1. Insured or registered, or securities held by the entity or its agent in the entity's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 3 Deposits with Financial Institutions and Investments (Continued)

Investments at June 30, 2004 consisted of:

	Category			Carrying Amount	Market Value
	1	2	3		
FROM RESTRICTED					
U.S. Treasury	\$2,243,093	-	-	\$2,243,093	\$2,243,093
Mortgage-Backed	9,222,125	-	-	9,222,125	9,218,694
TOTAL	\$11,465,218			11,465,218	11,461,787
Investments not subject to capitalization:					
LAMP				1,703,344	1,703,344
TOTAL INVESTMENTS				\$13,168,562	\$13,165,131

Investments at June 30, 2003 consisted of:

	Category			Carrying Amount	Market Value
	1	2	3		
FROM RESTRICTED					
U.S. Treasury	\$3,250,109	-	-	\$3,250,109	\$3,252,956
Mortgage-Backed	9,951,523	-	-	9,951,523	9,856,283
TOTAL	\$13,201,632			13,201,632	13,109,239
Investments not subject to capitalization:					
LAMP				2,009,170	2,009,170
TOTAL INVESTMENTS				\$15,210,802	\$15,118,409

Water District No. 1 invests in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool, administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 3 Deposits with Financial Institutions and Investments (Continued)

This investment pool has not been assigned a risk category since it is not issued securities, but rather owns an undivided beneficial interest in the assets of this pool.

Water District No. 1 also invests in structured financial instruments, which are held by an agent in Water District No. 1's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2004 and 2003, Water District No. 1 held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although Water District No. 1 will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Management's intent is to hold these investments to maturity.

Note 4 Ad Valorem Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage	Expiration Date
Water District Operations	3.99	3.81	2005

Each November based on the assessed value of property as of the prior January 1 the Parish Assessor of Lafourche sends ad valorem tax bills. Billed taxes become delinquent on January 1 of the following year. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the parish as of January 1, 2000. The assessed value for the property on January 1, on which the 2004 and 2003 levy was based, was \$346,417,910 and \$333,494,640 respectively.

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents of Water District No. 1. The millage levied for the District for the year June 30, 2004 and 2003 was 3.81 and 3.81 mills, respectively. Tax collected as of June 30, 2004 and 2003 on the 2003 and 2002 tax levy was 96% and 96% respectively.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 5 *Deferred Compensation Plan*

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 25% of adjusted gross income, not to exceed \$7,500 per calendar year. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship.

Water District No. 1 has the responsibility for withholding and remitting contributions from participants to the plan. Great-West Life is the plan administrator and provides communication, record keeping of the accounts, and investment of the plan assets. All amounts of compensation deferred all property rights and rights purchased and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants or their beneficiaries. The assets of the plan are not considered Water District No. 1's assets, nor subject to claims or creditors of the District.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2003 and 2004

Note 6 Capital Assets

Capital assets and depreciation as of and for the years ended June 30, 2004 and June 30, 2003, respectively, is as follows:

Description	Balance June 30, 2002	Net Additions (Dispositions) Reclassifications	Balance June 30, 2003	Net Additions (Dispositions) Reclassifications	Balance June 30, 2004
Capital assets, not being depreciated					
Land and Right of Way	\$ 891,616	\$ 62,867	\$ 954,483	(\$1,900)	\$ 952,583
Construction Projects in Progress	5,803,536	(3,389,828)	2,413,708	(257,074)	2,156,634
Total capital assets, not being depreciated	<u>6,695,152</u>	<u>(3,326,961)</u>	<u>3,368,191</u>	<u>(258,974)</u>	<u>3,109,217</u>
Capital assets, being depreciated					
Water Plant and Building Transmissions and Distribution System Distribution and Maintenance Equipment Administration and Office Buildings Furniture and Equipment Transportation Equipment	15,393,864	2,397,084	17,790,948	289,840	18,080,788
	46,444,392	5,305,326	51,749,718	4,353,913	56,103,631
	548,191	17,244	565,435	11,006	576,441
	534,267	-	534,267	7,900	542,167
	281,271	19,563	300,834	(4,906)	295,928
	459,410	1,323	460,733	(225)	460,508
Total capital assets, being depreciated	<u>63,661,395</u>	<u>7,740,540</u>	<u>71,401,935</u>	<u>4,657,528</u>	<u>76,059,463</u>
Accumulated Depreciation	(31,826,023)	(2,001,634)	(33,827,657)	(1,895,558)	(35,723,215)
Total capital assets, being depreciated net	<u>31,835,372</u>	<u>5,738,906</u>	<u>37,574,278</u>	<u>2,761,970</u>	<u>40,336,248</u>
Total capital assets, net	<u>\$ 38,530,524</u>	<u>\$ 2,411,945</u>	<u>\$ 40,942,469</u>	<u>2,502,996</u>	<u>\$ 43,445,465</u>

Depreciation expense for the years ended June 30, 2004 and 2003, respectively was \$1,997,927 and \$2,208,362.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2003 and 2004

Note 7 Long-Term Debt

A summary of bond transactions of the District for the year ended June 30, 2004 and 2003 follows:

Water Revenue Bonds	
Bonds payable July 1, 2002	\$19,200,000
Bond proceeds	6,000,000
Bonds retired (Principal)	(780,000)
Bonds payable June 30, 2003	24,420,000
Bonds retired (Principal)	(955,000)
Bonds payable June 30, 2004	\$23,465,000

Water Revenue Bonds	2004	2003
Consisted of the following:		
\$10,000,000 Water Revenue Bonds dated October 1, 1996 with A maturity date on January 1, 2017 And with interest at 4.2%-5.7%	\$8,175,000	\$8,705,000
\$10,000,000 Water Revenue Bonds dated January 1, 2002 with a Final maturity on July 1, 2021, And with interest at 4.2%	9,410,000	9,715,000
\$6,000,000 Water Revenue Bonds dated May 1, 2003 with a Final maturity on January 1, 2023 And with interest at 3.6%-4.6%	5,880,000	6,000,000
TOTAL	\$23,465,000	\$24,420,000

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2003 and 2004

Note 7 Long-Term Debt (Continued)

The annual requirements to amortize all bonds outstanding, including interest payments as of June 30, 2004 and 2003, are as follows:

Year Ended June 30, 2004	Amount
2005	\$2,174,540
2006	2,013,360
2007	2,027,395
2008	2,038,125
2009	2,050,525
2010-2014	9,893,220
2015-2019	8,758,403
2020-2023	5,030,000
TOTAL	\$33,985,568

Year Ended June 30, 2003	Amount
2004	\$1,960,686
2005	2,174,540
2006	2,013,360
2007	2,027,395
2008	2,038,125
2009-2013	10,354,163
2014-2018	9,760,515
2019-2023	5,617,470
TOTAL	\$35,946,254

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 8 *Flow of Funds; Restrictions on Use*

Under the terms of the bond indenture for each issue of Water Revenue Bonds, all income and revenues to be derived from the operation of the system are irrevocably and irreparably pledged in an amount sufficient for the payment of principal and interest on such bonds, and is set aside in the following manner:

- All revenue is periodically deposited in the Revenue Fund to provide for payment of all reasonable and necessary expenses for administration, operation and maintenance.
- On or before the 20th day of each month, there set aside in a restricted bank account designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets - Water Revenue Bond Current Debt Service Account.
- For bonds issued October 1, 1996, January 1, 2002 and May 3, 2003, the establishment and maintenance of the "Reserve Fund", by transferring from bond proceeds, the sum that will equal at least equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the bonds.
- On or before the 20th day of each month, to be deposited into a restricted bank account designated as the Renewal and Replacement Fund, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for extensions, additions, improvements, renewals, and replacement necessary to properly operate. Money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. The balance in this fund shall never be reduced below a minimum of \$15,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.
- All of the revenues received in any fiscal year, and not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount of operating expenses, is to be considered surplus and transferred to the Renewal and Improvements Fund. Such funds are to be used for extensions, additions, improvements, renewals, and replacements to the water system.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 9 Retirement Commitments

Plan Description and Provisions

All employees are members of the Parochial Employee's Retirement System of Louisiana (PERS) a cost sharing multiple-employer defined benefit pension plan.

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. All members of the Parochial Employees' Retirement System are participants in either Plan A or Plan B. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Water District No. 1 has chosen to participate in Plan A. The types of benefits provided under this plan include:

Retirement Benefits

Any members can retire providing he/she meets one of the following criteria:

- At any age with 30 or more years of creditable service.
- Age 55 with 25 years of creditable service.
- Age 60 with a minimum of 10 years of creditable service.

Survivor Benefits

Upon the death of any member of the plan with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Deferred Retirement Option Plan Benefits

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan for up to three years and defer the receipt of benefits.

Disability Benefits

A member shall be eligible to retire and to receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board.

The Parochial Employees' Retirement System of Louisiana was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. A Board of Trustees, an Administrative Director, an Actuary and Legal Council operate the System.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 9 Retirement Commitments (Continued)

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the United States.

The Parochial Employees' Retirement System issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619. (phone 985.928.1361)

Funding Policy

State Statute establishes member contributions. Employer contributions are actuarially determined every year determined by statutory process.

For the current year the required contribution rate for active plan members is 9.50% of payroll. The actuarially required net direct employer contributions as a percentage of payrolls were determined to be 7.75% for 2003 and in January 2004 the contributions increased to 11.75%. Member and employer contributions for the year ending June 30, 2004 were \$197,609 and \$206,736, June 30, 2003 were \$191,340 and \$159,225, and for June 30, 2002 were \$182,250 and \$152,437, respectively.

In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax collected by the tax roll of each respective parish excepting Orleans parish and East Baton Rouge Parish and remits the money to the System on an annual basis.

Note 10 Post Employment Benefits

Retiree's health insurance coverage was approved by the Board of Commissioners and became effective January 1, 1992. Retirees with 30 years of service or more will be responsible for dependents premium and the Water District No.1 will pay the retiree's premium. Employees who retire with 25 of service, but less than 30 years, will be responsible for the total premium. Employees shall remain eligible until 65th birthday or until such time as the employee becomes eligible for another plan.

Retirees and dependents covered under the plan at the time of retirement will be covered by the plan. Group coverage for retirees cannot be reinstated once dropped, or once the retiree is considered not eligible. Retirees with 25 years of service, but less than 30 years of service will be responsible for the total premium. Retirees will be required to pay their share of the monthly premium in advance upon retiring. Premiums are to be received by the 10th of the month or coverage will terminate if premium is not received by the 30th.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2003 and 2004

Note 10 Post Employment Benefits (Continued)

Information on the benefits paid follows:

	2004	2003
Premiums paid by the District	\$ 16,409	\$15,582
Number of retirees	6	4

Note 11 Construction Commitments

Uncompleted construction commitments at June 30, 2004 are as follows:

Project	Total Estimated Cost (1)	Costs incurred to 6/30/04
12" Main Thibodaux to Chackbay	\$721,392	\$ 702,342
North Bayou Blue Supply Line	979,060	399,450
12" Bayou Crossing at West Galliano	81,138	8,434
State Project 064-04-0070 Bayou Lafourche Bridge @ Larose	536,111	12,700
Totals	\$2,317,701	\$1,122,926

(1) Estimated construction cost and engineering fees.

***REQUIRED SUPPLEMENTAL
INFORMATION***

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Per Diem and Compensation of Board of Commissioners
June 30, 2004

During the year the Board of Commissioners held twelve meetings. Board members were compensated as follows:

• Mr. Sidney Triche, President	\$ -0-
• Mr. Richard Bollinger, Vice-President	\$ -0-
• Mr. Harvey Robichaux, Secretary/Treasurer	\$1,800
• Mr. Numa Breaux, Commissioner	\$ -0-
• Mrs. Doris Cochran, Commissioner	\$ -0-
• Mr. Gus Cheramie, Commissioner	\$ -0-
• Mr. Manuel Delatte, Commissioner	\$ -0-
• Mr. Eric Roundtree, Commissioner	\$ -0-
• Mr. Louis Thibodaux, Commissioner	\$ -0-
• Mr. Robert Pontif, Jr., Commissioner	\$ -0-
• Mr. Morris Guidry, Commissioner	\$ -0-

***OTHER SUPPLEMENTAL
SCHEDULES***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Comparative Statement of Operating Expenses
Water Enterprise Fund
For the years ended June 30, 2004 and 2003

	2004	2003
<u>Water Purchased for Resale</u>	<u>\$ 30,015</u>	<u>\$ 27,097</u>
<u>Water Treatment Expenses:</u>		
Pumping Operations	747,498	603,861
Pumping Maintenance	6,609	18,425
Purification Operations	1,081,358	933,976
Purification Maintenance	666,437	594,007
Total Water Treatment Expenses	<u>2,501,902</u>	<u>2,150,269</u>
<u>Transmission and Distribution Expenses:</u>		
Distributions Operations	688,274	678,445
Distribution Maintenance	777,886	814,699
Total Transmission and Distribution Expenses	<u>1,466,160</u>	<u>1,493,144</u>
<u>Customer Accounts Expenses:</u>		
Customer Operations Expense	665,947	639,088
Total Customer Accounts Expense	<u>665,947</u>	<u>639,088</u>
<u>Administrative and General Expenses:</u>		
General Operating & Office Expense	720,828	743,877
Maintenance - General Property and Equipment	149,181	169,504
State Waterline Relocation Projects	158	108,080
Total Administrative and General Expenses	<u>870,167</u>	<u>1,021,461</u>
Depreciation of Utility System	<u>1,997,927</u>	<u>2,208,362</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 7,532,118</u></u>	<u><u>\$ 7,539,421</u></u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2004 and 2003

Revenue Fund

	<u>2004</u>	<u>2003</u>
Cash Balance, July 1	\$ 1,380,308	\$ 1,372,366
Receipts:		
From Customers	8,638,007	8,380,082
Interest Earned	27,971	88,219
Transfers from Other Accounts	1,320,946	1,267,696
Others	817,940	667,890
	<u>10,804,864</u>	<u>10,403,887</u>
Disbursements:		
Operating Expense	8,224,854	8,000,387
Transfers to Other Accounts	2,423,943	2,395,558
	<u>10,648,797</u>	<u>10,395,945</u>
Cash Balance, June 30	<u>\$ 1,536,375</u>	<u>\$ 1,380,308</u>

Maintenance and Operating Fund

Cash Balance, July 1	\$ 4	\$ 1
Receipts:		
Ad Valorem Taxes (Net)	1,266,429	1,213,974
Revenue Sharing	49,930	49,695
Total	<u>1,316,359</u>	<u>1,263,669</u>
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	<u>1,316,358</u>	<u>1,263,666</u>
Cash Balance, June 30	<u>\$ 5</u>	<u>\$ 4</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2004 and 2003

Renewal and Improvements Fund

	<u>2004</u>	<u>2003</u>
Cash Balance, July 1	\$6,117,372	\$5,652,474
Revenues:		
Interest Earned	21,175	43,584
Transfer from:		
Revenue Fund	2,368,043	2,340,921
Construction Fund	1,742,520	3,199,876
Reserve Fund	56,242	
Renewal & Improvements Investments	100,000	1,000,000
	<u>4,287,980</u>	<u>6,584,381</u>
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	<u>4,384,766</u>	<u>6,119,483</u>
Cash Balance, June 30	<u>\$6,020,586</u>	<u>\$6,117,372</u>

Summary of Cash and Investments - Current Assets

Revenue Fund	\$1,536,375	\$1,380,308
Maintenance and Operation Fund	5	4
Renewal and Improvements Fund	6,020,586	6,117,372
Refund Clearing	(1,922)	-
Cash on Hand	800	800
Cash on Deposit - Collection Agent Accounts	<u>500</u>	<u>500</u>
Cash and Temporary Cash Investments - Current Assets	<u>\$7,556,343</u>	<u>\$7,498,983</u>
Unrestricted Cash and Cash Equivalents	\$ 1,652,999	\$ 5,489,813
Unrestricted Investments	<u>5,903,344</u>	<u>2,009,170</u>
	<u>\$ 7,556,343</u>	<u>\$ 7,498,983</u>

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Statement of Cash Receipts and Disbursements - Restricted Assets
 For the years ended June 30, 2004 and 2003

	Current Debt Service Accounts		Future Debt Service Accounts		Renewal and Replacement Fund	Customer Meter Deposits	2003 Total
	Bond Fund	Bond Reserve	2002 Construction	2003 Construction			
Cash and investments July 1	\$ 1,683,685	\$ 1,659,305	\$ 5,854,158	\$ 4,486,801	\$ 200,000	\$ 818,736	\$ 11,600,767
Receipts:							
Interest earned	22,607		144,492	3,975		1,142	270,354
Customer deposits						142,700	134,980
Discounts	2107			29,535		31,642	6,000,000
Rebate from Bond Commission						-	2,862
Transfers from:							
Bond Fund		1,335,512					1,659,305
Bond Reserve	1,336,000						990,000
2003 Construction Fund							1,221,758
Water Revenue Fund	2,052,767						1,747,283
Total receipts	3,413,481	1,335,512	144,492	33,510	-	143,842	12,028,552
Disbursements:							
Fees/Claims	120						220
Principal	955,000						780,000
Interest	1,046,738						918,510
Refund of customer deposits						8,900	7,145
Premiums	2		140,132	8			12,874
Transfers to:							
Renewal and Improvements Fund	56,242		263,791	1,478,729			3,199,696
Bond Reserve	1,335,516						1,699,309
Bond Fund		1,327,178					1,537,603
2002 Construction Fund							705,938
Surplus Revenue							
Water Revenue Fund						108,035	103,339
Total disbursements	3,393,618	1,327,178	403,923	1,478,737		116,935	8,924,634
Cash and investments June 30	\$ 1,703,548	\$ 1,667,639	\$ 5,594,727	\$ 3,041,574	\$ 200,000	\$ 845,643	\$ 14,702,685

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$10,000,000 Water Revenue Bonds, Series 1996

Dated: October 1, 1996

Date of Maturity	Amount	Date of Maturity	Amount
01/01/1998	\$80,000	01/01/2008	\$500,000
01/01/1999	80,000	01/01/2009	535,000
01/01/2000	85,000	01/01/2010	565,000
01/01/2001	85,000	01/01/2011	600,000
01/01/2002	470,000	01/01/2012	640,000
01/01/2003	495,000	01/01/2013	680,000
01/01/2004	530,000	01/01/2014	720,000
01/01/2005	580,000	01/01/2015	765,000
01/01/2006	445,000	01/01/2016	810,000
01/01/2007	475,000	01/01/2017	860,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2008, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2007, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2007, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities
\$10,000,000 Water Revenue Bonds, 2002 Series
Dated: January 1, 2002

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2003	\$285,000	01/01/2013	\$490,000
01/01/2004	305,000	01/01/2014	515,000
01/01/2005	320,000	01/01/2015	545,000
01/01/2006	335,000	01/01/2016	575,000
01/01/2007	355,000	01/01/2017	605,000
01/01/2008	375,000	01/01/2018	640,000
01/01/2009	395,000	01/01/2019	675,000
01/01/2010	420,000	01/01/2020	715,000
01/01/2011	440,000	01/01/2021	750,000
01/01/2012	465,000	01/01/2022	795,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2013, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2012, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2012, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

**Schedule of Maturities
\$6,000,000 Water Revenue Bonds, 2003 Series
Dated: May 1, 2003**

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2004	\$120,000	01/01/2014	\$300,000
01/01/2005	190,000	01/01/2015	315,000
01/01/2006	200,000	01/01/2016	330,000
01/01/2007	210,000	01/01/2017	345,000
01/01/2008	225,000	01/01/2018	365,000
01/01/2009	235,000	01/01/2019	380,000
01/01/2010	245,000	01/01/2020	400,000
01/01/2011	260,000	01/01/2021	420,000
01/01/2012	270,000	01/01/2022	440,000
01/01/2013	285,000	01/01/2023	465,000
		TOTAL	\$6,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2014, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2013, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2013, at the redemption prices stated herein.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Metered Water Customers
June 30, 2004
(Unaudited)

All sales of water are metered. At June 30, 2004, there were 28,668 active metered customers.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Insurance in Force

June 30, 2004

(Unaudited)

<u>Amount of Policy</u>	<u>Risks Covered</u>	<u>Insurer</u>	<u>Expiration Date</u>
\$21,870,678 (per schedule)	Commercial Property Inland & Marine Deductible \$10,000 Wind Deductible \$ 5,000 All Other Perils	Landmark American Insurance Co.	03/01/05
\$ 50,000,000	Boiler & Machinery Deductible \$1,000	Travelers Insurance	03/01/05
\$ 1,000,000	General Liability &	Nation Union Fire Insurance Co. of LA	03/01/05
\$ 1,000,000 \$ 500,000	Automobile (Uninsured Motorist)	American Home Assurance co.	03/01/05
\$ 10,000,000	Commercial Umbrella Liability Coverage	American International Speciality Lines Insurance Co.	03/01/05
\$ 2,000,000	Public Officials Errors & Omissions Deductible \$10,000	National Union Fire Insurance Co. of PA	03/01/05
\$ 50,000	Public Officials Oath Bond	CNA Surety	12/01/04
\$ 250,000	Fidelity/Crime	Western Surety Company	12/01/04
\$ 1,000,000	Worker's Compensation	Bridgefield Casualty	03/01/05
\$ 1,000,000	Pollution Liability	Atlantic Insurance	05/17/05
\$ 1,000,000	Terrorism (Added to Building & Contents)	American International Speciality Lines Insurance Co.	03/01/05

***REPORTS REQUIRED BY
GOVERNMENT AUDITING
STANDARDS***



STAGNI & COMPANY, LLC

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

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche,
State of Louisiana

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the year ended June 30, 2004, which comprise the basic financial statements, and have issued our report thereon dated August 9, 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 Water District No. 1'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 Water District No. 1'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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To the Board of Commissioners
Water District No. 1
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Water District No. 1 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

Thibodaux, Louisiana
August 9, 2004



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the year ended June 30, 2004 and have issued our report thereon dated August 9, 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. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards - NONE

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion On Compliance Unqualified Qualified

Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133 Section .510(a)? Yes No

c. Identification of Major Programs - NONE

Section II Financial Statement Findings

NONE

Section III Federal Award Findings and Questioned Costs

NOT APPLICABLE



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Status of Prior Audit Findings
For the Year Ended June 30, 2004

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:
NONE

Section II - Internal Control and Compliance Material to Federal Awards:
NOT APPLICABLE

Section III - Management Letter:
NONE

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

**Current Year Findings, Recommendations and Corrective Action Plan
For the Year Ended June 30, 2004**

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:
NONE

Section II - Internal Control and Compliance Material to Federal Awards:
NOT APPLICABLE

Section III - Management Letter:
NONE