



WATERWORKS DISTRICT NO. 2 OF IBERVILLE PARISH

REPORT ON AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS
OCTOBER 31, 2003

ST. GABRIEL, LOUISIANA

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 5.12.04

PATRICIA LEGO LEWIS
CERTIFIED PUBLIC ACCOUNTANT



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OF IBERVILLE PARISH**

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March 15, 2004
Independent Auditor's Report

Board of Commissioners
Waterworks District No. 2
of Iberville Parish
St. Gabriel, Louisiana

I have audited the accompanying component unit only financial statements of the Waterworks District No. 2 of Iberville Parish, Louisiana, a component unit of the Iberville Parish Council, as of and for the years ended October 31, 2003 and 2002. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of materials misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to in paragraph one present fairly, in all material respects, the financial position of the Waterworks District No. 2 of Iberville Parish, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

As described in Note 1 to the basic financial statements, Waterworks District No. 2 adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements as of November 1, 2002. This results in a change in the format and content of the basic financial statements.

Member of
American Institute of Certified Public Accountants

Waterworks District No. 2
of Iberville Parish

In accordance with Government Auditing Standards, I have also issued my report dated March 15, 2004 on my consideration of Waterworks District No. 2 of Iberville Parish, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consist principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the component unit financial statements of Waterworks District No. 2 of Iberville Parish, Louisiana. Such information, except for that portion marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and in my opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

As discussed in Note 6 to the financial statements, Waterworks District No. 2 of Iberville Parish has been named as defendant in an action for recovery of damages. It is not possible at present for the District to predict the outcome or the range of potential loss, if any, that might result from the action. No provision for any liability that may result has been made in the financial statements.

Patricia Legolewis, CPA
Patricia Lego Lewis, CPA
Plaquemine, LA 70764

Waterworks District No. 2 of Iberville Parish

Management's Discussion and Analysis

As financial management of the Waterworks District No. 2 of Iberville Parish, we offer the readers of these financial statements an overview and analysis of the financial activities of the organization. This narrative is designed to assist the reader in focusing on significant financial issues, identifying changes in the organization's financial position.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and current known facts. It should be read in conjunction with the financial statements.

Financial Highlights

Assets of Waterworks District No. 2 of Iberville Parish exceeded its liabilities at the close of the most recent fiscal year by \$2,690,905 (net assets). Of this amount, \$1,492,811 (unrestricted net assets) may be used to meet the Waterworks' ongoing obligations to customers and creditors.

The Waterworks' total net assets increased by \$78,880 during the current fiscal year as a result of operating revenues and interest income.

Overview of the Financial Statements

The Waterworks District No. 2 of Iberville Parish's basic financial statements comprise of three components. These components are 1. Government-wide financial statements, 2. Fund financial statements, and 3. Notes to the financial statements. This report also contains other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of The Waterworks' finances, in a manner similar to a private sector business.

The Statement of Net Assets presents the information on all of the Waterworks' assets and liabilities with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Waterworks is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Waterworks' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The business-type activities of The Waterworks District No. 2 of Iberville Parish reflect private sector type operations where the Waterworks District provides water service to its customers through Baton Rouge Water Company on a contractual basis. The Waterworks has no component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Waterworks District No. 2 of Iberville Parish uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Waterworks uses only the proprietary fund type to account for its water operations.

Proprietary Funds

The Waterworks maintains one type of proprietary fund, an Enterprise Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Waterworks uses an enterprise fund to account for all aspects of its water processing and distribution operations.

Notes to the Financial Statements

The notes provide additional information to aid in a full understanding of the data provided in the financial statements. The notes are a required part of the financial statements.

Other Information

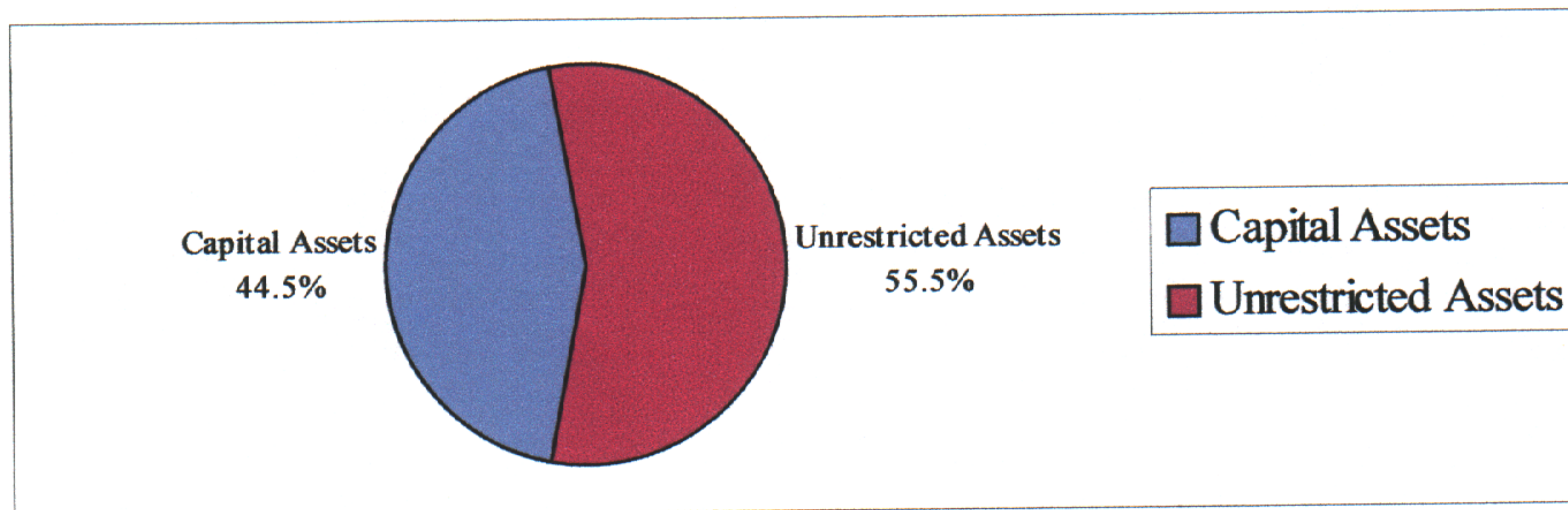
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the customer's statistics, compensation of the board members and insurance in force. This information is included for additional information and analysis and do not constitute a part of the audited financial statements.

Proprietary Fund Financial Analysis

The Following Table reflects the condensed Statement of Net Assets for fiscal year ended October 31, 2003.

	<u>Business-Type Activities</u>
Current and Other Assets	\$1,363,738
Restricted Assets	206,781
Capital Assets	<u>1,198,094</u>
Total Assets	<u>2,768,613</u>
Liabilities:	
Current Liabilities	<u>77,708</u>
Total Liabilities	<u>77,708</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,198,094
Unrestricted	<u>1,492,811</u>
Total Net Assets	<u><u>\$ 2,690,905</u></u>

The following chart reflects that 44.5% of the Waterworks' net assets are invested in capital assets, and 55.5% reflects the remaining net assets, referred to as unrestricted assets, may be used to meet the ongoing obligations of the customers and creditors.



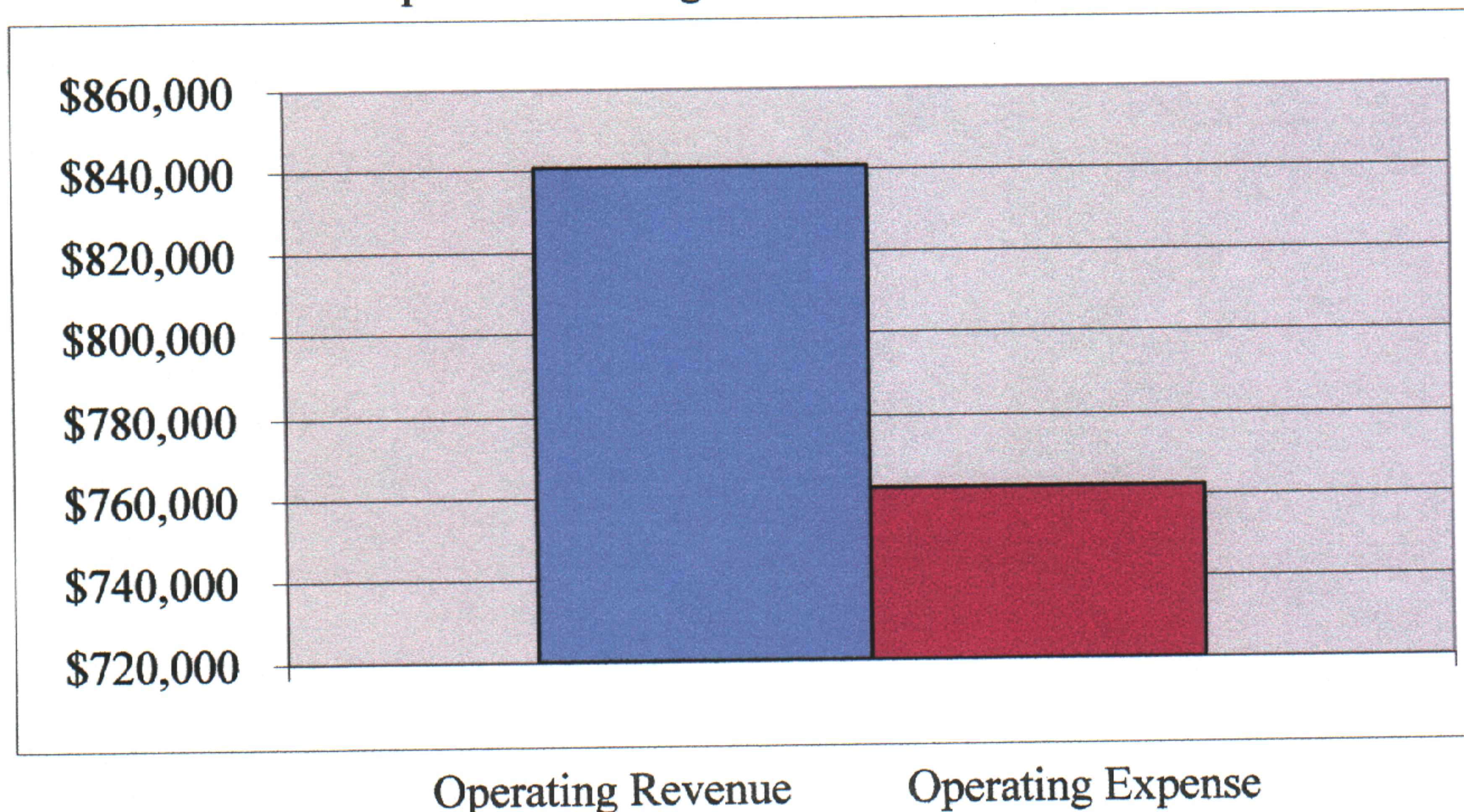
The table below provides a summary of the changes in net assets for the year ended October 31, 2003.

Waterworks District No. 2 of Iberville Parish changes in net assets.

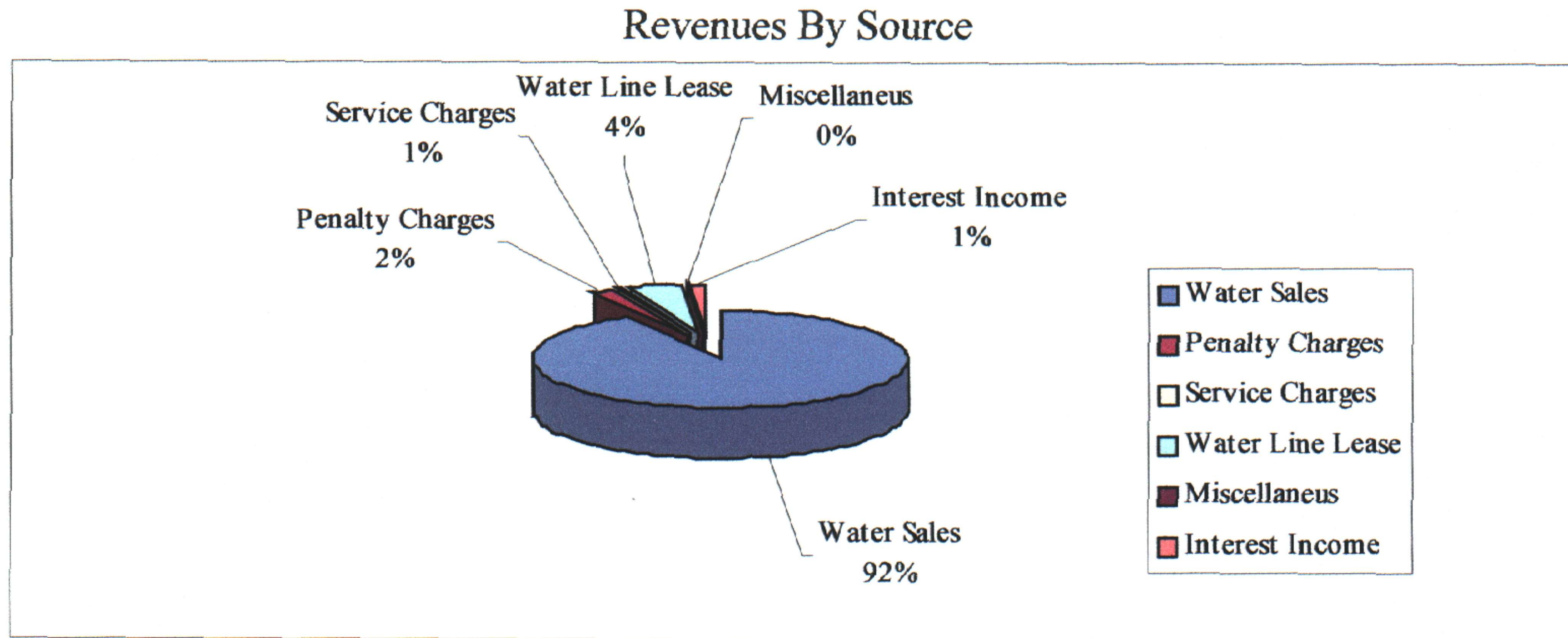
	2003	2002
Revenues:		
Operating Revenues		
Water Sales	\$ 770,479	\$ 679,921
Penalty Charges	17,062	16,763
Service Charges	4,938	12,172
Water Line Lease	37,500	37,500
Miscellaneous	71	131
Nonoperating Revenues		
Interest Income	10,596	17,341
Total Revenues	<u>840,646</u>	<u>763,828</u>
Operating Expenses	<u>761,766</u>	<u>725,400</u>
Increase in net Assets	78,880	38,428
Net Assets at Beginning of Year	<u>1,753,597</u>	<u>1,715,169</u>
Net Assets at End of Year	<u><u>\$ 1,832,477</u></u>	<u><u>\$ 1,753,597</u></u>

The Waterworks' net assets increased \$78,880 during the current year. This increase is due to an additional \$68,284 in operating revenues and \$10,596 in interest income.

Expenses and Program Revenues-Business-Type Activities



The following chart reflects the revenues by source for Waterworks District No. 2. The two sources of revenues are water sales and interest income.



Capital Assets

Waterworks District No. 2 of Iberville Parish investment in capital assets as of October 31, 2003 amounts to \$1,198,094 (net of accumulated depreciation). This investment in capital assets includes buildings, water systems, wells and storage tanks, water meters, and furniture and fixtures.

There were no major capital asset events during the current year.

Waterworks District No. 2 of Iberville Parish Capital Assets (net of Depreciation)

	<u>2003</u>	<u>2002</u>
Land	\$ 8,867	\$ 8,867
Buildings	133,685	133,685
Water Meters	32,839	32,839
Furniture and Fixtures	13,072	12,306
Water Distribution system	1,194,314	1,194,314
Water Treatment Plant	1,296,375	1,296,375
Water Wells	232,568	232,568
Elevated Tanks	73,018	52,518
Ground Level Storage Tanks	166,405	166,405
Water Lines	533,764	505,395
Total	<u>3,684,907</u>	<u>3,635,272</u>
Less: Accumulated Depreciation	2,486,813	2,394,157
Net Property, Plant and Equipment	<u><u>\$1,198,094</u></u>	<u><u>\$1,241,115</u></u>

Economic Factors and Next Year's Rates

The Waterworks' total of active customers at October 31, 2003 was 1,226. A total of \$6.28 per active customer was paid by Waterworks to Baton Rouge Water Company for the water service fees since October 1, 2001 and \$6.38 effective October 1, 2002.

The Waterworks prepares and submits a budget to the Board of Commissioners and publishes the proposed budget.

Request for Information

The financial report is designed to provide a general overview of the Waterworks' finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Waterworks District No. 2 of Iberville Parish, P.O. Box 71, St. Gabriel, Louisiana.

FINANCIAL STATEMENTS

Waterworks District No . 2 of Iberville Parish

Balance Sheet

October 31, 2003 and 2002

ASSETS	<u>2003</u>	<u>2002</u>
Current Assets:		
Cash and Cash Equivalents (Notes 7)	\$ 1,167,036	\$ 1,111,180
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$3,000 in 2003 and 2002, Respectively)	189,342	141,848
Prepaid Expenses	6,777	5,887
Other Receivables	583	381
Total Current Assets	<u>1,363,738</u>	<u>1,259,296</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents (Note 3)	184,971	184,817
Customers Meter Deposits - Cash and Cash Equivalents (Notes 4 & 7)	21,810	21,071
Total Restricted Assets	<u>206,781</u>	<u>205,888</u>
Property, Plant, and Equipment, at Cost (Net of Accumulated Depreciation of \$2,486,813 in 2003 and \$2,394,157 in 2002) (Notes 1 and 2)	1,198,094	1,241,115
Total Assets	<u><u>\$ 2,768,613</u></u>	<u><u>\$ 2,706,299</u></u>

The accompanying notes are an integral part of this statement.

Exhibit A
(Continued)

LIABILITIES AND NET ASSETS	<u>2003</u>	<u>2002</u>
Liabilities:		
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$ 46,105	\$ 63,193
Payroll Taxes Payable	2,319	2,202
Sales Taxes Payable	506	847
Accrued Unpaid Sick Pay (Note 1)	5,520	5,520
Total Current Liabilities (Payable from Current Assets)	54,450	71,762
Current Liabilities (Payable from Restricted Assets):		
Customer Meter Deposits (Note 4)	23,258	22,511
Total Current Liabilities (Payable from Restricted Assets)	23,258	22,511
Total Liabilities	77,708	94,273
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,198,094	1,241,115
Unrestricted Net Assets	1,492,811	1,370,911
Total Net Assets	2,690,905	2,612,026
Total Liabilities and Net Assets	\$ 2,768,613	\$ 2,706,299

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of Iberville Parish

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Years Ended October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Revenue:		
Water Sales	\$ 770,479	\$ 679,921
Penalty Charges	17,062	16,763
Service Charges	4,938	12,172
Water Lines Lease	37,500	37,500
Miscellaneous Income	71	131
Total Operating Revenues	<u>830,050</u>	<u>746,487</u>
Operating Expenses. - Schedule 1	761,766	725,400
Operating Income (Loss)	<u>68,284</u>	<u>21,087</u>
Non-operating Revenues (Expenses):		
Interest Income	10,596	17,341
Total Non-operating Revenues	<u>10,596</u>	<u>17,341</u>
Changes in Net Assets	<u>78,880</u>	<u>38,428</u>
Net Assets at Beginning of Year	1,753,597	1,715,169
Net Assets at End of Year	<u><u>\$1,832,477</u></u>	<u><u>\$1,753,597</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of Iberville Parish

STATEMENTS OF CASH FLOWS

For the Years Ended October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 68,284	\$21,087
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	92,655	91,497
 Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(47,494)	13,058
(Increase) Decrease in Prepaid Expenses	(890)	(1,540)
(Increase) Decrease in Other Receivables	(201)	72
Increase (Decrease) in Accounts Payable	(17,089)	(4,333)
Increase (Decrease) in Payroll Taxes Payable and Sales Tax Payable	(224)	141
Increase (Decrease) in Customer Meter Deposits	747	(435)
 Net Cash Provided by (Used in) Operating Activities	<u>95,787</u>	<u>148,147</u>

(CONTINUED)

Waterworks District No. 2 of Iberville Parish

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows From Capital and Related Financing Activities:		
Interest Income	\$ 10,596	\$ 17,341
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>10,596</u>	<u>17,341</u>
Cash Flows From Investing Activities:		
Increase In Fixed Assets	(49,634)	0
Net Cash Provided (Used) by Investing Activities	<u>(49,634)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	<u>56,749</u>	<u>165,488</u>
Cash and Cash Equivalents - Beginning of Year	1,317,068	1,151,580
Cash and Cash Equivalents - End of Year	<u><u>\$1,373,817</u></u>	<u><u>\$1,317,068</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS

October 31, 2003 and 2002

(1) Summary of Significant Accounting Policies -

The Waterworks District No. 2 of Iberville Parish (the District) was incorporated under the provision of Act R.S. 33:3811 seq. The District operates under a Board of Commissioner form of government.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517 and to the guide set forth in the industry audit guide, Audits of State and Local Governmental Unit. The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Water District's Board of Commissioners. Control by or dependence on the Board was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the Waterworks District No. 2 of Iberville Parish is a component unit of the Iberville Parish Council. The accompanying financial statements only include the financial information of this component unit of the Iberville Parish Council and no other organization.

B. Fund Structure and Method of Accounting

Fund Structure:

The Water District has only one fund to which all accounts are organized and accounted for as a single entity. This fund is operated as an Enterprise Fund.

Enterprise Fund - an Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
October 31, 2003 and 2002

Method of Accounting:

On November 1, 2001, Waterworks adopted the provisions of Statement No. 3 (Statement 34) of the Governmental Accounting Standards Board "Basic Financial Statements-and management's Discussion and Analysis- for State and Local Governments." Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It required the 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 assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted-This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets-The component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of debt".

C. Fixed Assets and Long-Term Liabilities

The enterprises fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with it's activity is included on it's balance sheet. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund type operating statement present increases (revenues) and decreases (expenses) in net total assets.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

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

Building	25 Years
Water System	5 - 33 Years
Wells and Storage Tanks	33 Years
Water Meters	10 Years
Furniture and Fixtures	3 - 10 Years

All fixed assets are stated at historical costs.

D. Basis of Accounting

Assets, Liabilities, retained earnings, revenue, and expenses are recognized on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

E. Budget and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected on the supplementary schedule comparing budget to actual:

1. The manager of the district prepares a proposed budget and submits it to the Board of Commissioners.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of a public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted.
5. Budgetary amendments involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Commissioners.
6. All budgetary appropriations lapse at the end of each fiscal year.

F. Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers certificates of Deposit, Treasury Bills, and Money Market Accounts (including asset management pools) with a maturity of three months or less, to be cash equivalents.

G. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establish of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

H. Accumulated Unpaid Sick Pay and Accrued Unpaid Vacation

Employees of the district may accumulate a maximum of 45 days of Accrued Unpaid Sick Pay. Employees of the District may accrue vacation time, however it can not be accumulated from year to year.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

(2) Property, Plant, and Equipment -

A summary of property, plant, and equipment at October 31, 2003 and 2002, is as follows:

	<u>2003</u>	<u>2002</u>
Land	\$ 8,867	\$ 8,867
Buildings	133,685	133,685
Water Meters	32,839	32,839
Furniture and Fixtures	13,072	12,306
Water Distribution Sytem	1,194,314	1,194,314
Water Treatment Plant	1,296,375	1,296,375
Water Wells	232,568	232,568
Elevated Tanks	73,018	52,518
Ground Level Storage Tanks	166,405	166,405
Water Lines	533,764	505,395
	<u>3,684,907</u>	<u>3,635,272</u>
Less: Accumulated Depreciation	2,486,813	2,394,157
	<u>\$1,198,094</u>	<u>\$1,241,115</u>

(3) Restricted Assets -

Restricted assets totaling \$206,781 at October 31, 2003 and \$205,888 at October 31, 2002 consist of cash and cash equivalents and receivables restricted to customer deposits, and other funding investments.

(4) Customer Meter Deposits -

Meter deposits are paid by customers upon application for water services and are returnable to them upon termination of service. The district maintains an interest-bearing account which is designated specifically for meter deposits. At October 31, 2003 and 2002, Customer Meter Deposits amounted to \$23,258 and \$22,511 while the balance in the interest-bearing account amounted to \$21,810 and \$21,071 respectively.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

(5) Retirement Commitments -

The Waterworks District No. 2 participates in the Louisiana Public Employees Deferred Compensation Plan using payroll deductions. The plans administrator is Great West Life & Annuity Insurance Companies.

(6) Contingencies and Commitments -

Water Supply Commitment

On May 8, 1990, the Board passed a motion accepting 2 proposals from Baton Rouge Water Co. One proposal was for the purchase of water and the other proposal concerned the operations and maintenance of the Waterworks District No. 2 of Iberville Parish water plant and distributions lines.

With the acceptance of the above proposals, the board also passed a motion to proceed with plans to issue the remaining \$500,000 of the General Obligation bonds approved by the voters on November 4, 1980, for the construction of water distribution lines to connect the water lines of Baton Rouge Co. and the District. The bonds were issued in August, 1990. Construction cost were estimated to be \$500,000. Actual construction cost at completion was \$493,215 which included approximately \$30,000 for the purchase of new water meters. The water distribution lines were substantially completed as of October 1991.

The wholesale water supply contract with Baton Rouge Water Work Company shall be in effect for a period of twenty-five years and Baton Rouge Water Works Company agrees to supply the entire water supply requirements of the District, but not exceeding the lesser of 1,250 gallons per minute or 1,750,000 gallons per day. The District shall pay for water service delivered at a rate of \$0.744 per 1000 gallons delivered to the District though the *point of metering*. Beginning with the second anniversary of this contract and annually therefore, the price per 1,000 gallons delivered will be adjusted by 75% of any proportionate change in the Consumer Price Index as published by the U.S. Department of Labor.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

Baton Rouge Water Works Company began supplying water to the District in September 1991. The District signed a supplemental contract on May 14, 2003 to increase the flow rates available to provide an addition to the maximum supply rate provided in the original contract by the amount of 400 gallons per minute, and to provide an addition to the maximum daily quantity allowed in the original contract in the amount of 550,000 gallons per day. For the year ended October 31, 2003 the District purchased 456,729,000 gallons of water from Baton Rouge Water Works Company at a total cost to the District of \$420,791. For the year ended October 31, 2002, the district purchased 411,159,000 gallons of water from Baton Rouge Water Works Company at a total cost to the District of \$380,616. In addition, Baton Rouge Water Works Company agrees to pay the District the sum of \$37,500 per year during term of this agreement for the exclusive right to tap the connecting facilities between the point of delivery and the point of metering for the purpose of supplying customers of the Company.

The operations and maintenance agreement with Baton Rouge Water Works Company was amended to be in effect for a period of one hundred twenty months and Baton Rouge Water Works Company agrees to undertake the operation and routine maintenance covering the District's supply, treatment, transmissions, distribution, storage and customer metering facilities. Specifically excluded costs are of maintaining or staffing an office for customer service at the existing District Office, all salaries and overhead costs associated with management and clerical personnel of the District, telephone service and other utilities for the operation of the District Office, property and workmen's compensation insurance fees of the commissioners, paying agent fees, debt service costs, bad debt, advertising, legal and accounting fees or costs of the District, consulting or other professional fees furnished the District, and miscellaneous office, printing, and postage costs of the District not directly associated with billing. Likewise excluded from the scope of services furnished the District will be the cost of extraordinary maintenance and capital items.

The District paid to the Company \$6.38 per active customer per month for the services provided by Baton Rouge Water Works Company in the operations and maintenance agreement. Beginning with first anniversary of this contract and annually therefore, the cost per active customer is adjusted by 85% of any proportionate change in the Consumer Price Index as published by the U.S. Department of Labor.

The operations and maintenance agreement became effective beginning in September 1991. The district has incurred total costs for the years ended October 31, 2003 and 2002, of \$104,515 and \$101,067 respectively.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

Litigation

The District is involved in a lawsuit in defense of a matter where management cannot predict the outcome of the suit nor an estimate of the amount of any loss that may occur. Accordingly, no provisions for any contingent liabilities that may result has been made in the financial statements.

7) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposits. Under state law the District may deposit funds within a fiscal agent bank organized under laws of the state of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in the time deposits or certificates of deposit of state banks organized under Louisiana law and nation banks having principal offices in Louisiana.

As confirmed by the fiscal agent and other institutions, the District had cash and cash equivalents totaling \$1,373,817 at October 31, 2003. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state laws by federal deposit insurance or the pledge of securities plus the federal deposit insurance must at all times equal the amount on deposits with the bank. Any pledge securities are held in the name of the pledging bank in a custodial bank that is held mutually acceptable to the parties involved. Investments totaling \$880,403 are held in the Louisiana Asset Management Pool (LAMP), a local government investment pool. The following is a summary of cash and cash equivalents at October 31, 2003, with the related federal deposits insurance. The cash and cash equivalents at October 31, 2003, were secured as follows.

Waterworks District No. 2 of Iberville Parish

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 2003 and 2002

	Confirmed Bank Balance <u>OCTOBER 31, 2003</u>	FDIC <u>INSURANCE</u>
Cash	\$ 493,414	\$ 100,000
Cash Equivalents - Short Term Money Market	<u>880,403</u>	
Total	<u>\$1,373,817</u>	
Uncollateralized-		
Securities Pledged and Held by the Custodial Bank in the name of the Fiscal Agent		415,126
Money Market Funds held in asset management pool		<u>880,403</u>
Total uncollateralized		1,295,529
Excess of cash and cash equivalents over FDIC Insurance and pledged securities		<u>\$ 78,288</u>

(8) Major Customer -

Accounts receivable included amounts due from Hunts Correctional Institution of \$14,755 for the year ended October 31, 2003 and \$15,233 for the year ended October 31, 2002, which represents 7.67% and 10.51% of accounts receivable on these respective dates.

Net water sales to Hunts Correctional Institution were \$165,100 for the year ended October 31, 2003 and \$159,600 for the year ended October 31, 2002, which represents 21.43% and 23.47% of annual water sales for each respective year.

REQUIRED SUPPLEMENTARY INFORMATION

Waterworks District No. 2 of Iberville Parish

SCHEDULE OF OPERATING EXPENSES

October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Water Purchases	\$ 424,704	\$ 380,616
Operating Agreement	104,515	101,067
Advertising	348	607
Bank Charges	139	130
Contracted Services	281	1,037
Depreciation	92,655	91,497
Dues and Subscriptions	440	509
Insurance	15,831	12,261
Legal and Accounting Fees	11,955	26,598
Miscellaneous Expenses	184	216
NSF Expense	2,813	2,776
Office, Printing, and Postage Exp.	4,872	4,607
Other Tax Expenses	7,908	0
Payroll Tax Expenses	5,771	5,012
Repairs and Maintenance-Equipment	8,346	24,075
Salaries - Board	6,000	4,080
Salaries - Office	54,516	55,465
Services Charges	10,074	4,666
Telephone	2,333	2,170
Travel	0	125
Truck Allowance	5,800	5,800
Utilities	2,281	2,086
Total Operating Expenses	<u>\$ 761,766</u>	<u>\$ 725,400</u>

See auditor's report.

Waterworks Districts No. 2 of Iberville Parish

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For The Year Ended October 31, 2003

Russell Redditt	\$ 780
Michael Reames	780
Delores Jackson	780
Eugene LeBlanc	780
Wilbert Wilson	540
Robert Hornstein	780
Melvin Lodge Sr.	780
Leroy Alfred	780
Jessie Thomas	780
Total Board Members Per Diem	<u>\$ 6,000</u>

See auditor's report.

Waterworks District No. 2 of Iberville Parish

SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)

October 31, 2003

<u>Company</u>	<u>Coverage</u>	<u>Term</u>
Granite State Ins. Co.	Property Schedule General Liability 1, 000, 000./ 2, 000, 000. Medical Expenses 5,000 Fire Damage 50,000 Auto: Hired Car & Non-Owned Auto 1,000,000	8/2/03 to 8/2/04
National Union of LA	Umbrella Liability 1,000,000.	8/2/03 to 8/2/04
LA Workers Comp. Corp.	Workers Compensation	8/2/03 to 8/2/04

Waterworks District No. 2 of Iberville Parish

STATEMENT OF REVENUES, AND EXPENSES,
 BUDGET (GAAP BASIS) AND ACTUAL
 For The Year Ended October 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Operating Revenues:			
Water Sales	\$ 677,000	\$ 770,479	\$ 93,479
Penalty Charges	13,300	17,062	(3,762)
Water Lines Lease	37,500	37,500	0
Service Charges	11,700	4,938	6,762
Miscellaneous Income	<u>0</u>	<u>71</u>	<u>71</u>
Total Operating Revenues	739,500	830,050	90,550
Operating Expenses:			
Water Purchases:	386,000	424,704	(38,704)
Operating Agreement	102,200	104,515	(2,315)
Advertising	0	348	(348)
Bad Debts	3,000	0	3,000
Bank Charges	0	139	(139)
Contract Services	0	281	(281)
Depreciation	105,600	92,655	12,945
Dues and Subscription	0	440	(440)
Insurance	10,000	15,831	(5,831)
Legal and Accounting	18,000	11,955	6,045
Miscellaneous Expenses	0	184	(184)
NSF Expense	0	2,813	(2,813)
Office, Printing, and Postage	6,000	4,872	1,128
Other Taxes	0	7,908	(7,908)
Payrolls Tax Expense	4,300	5,771	(1,471)
Retirement	5,000	0	5,000
Repairs and Maintenance.	22,000	8,346	13,654
Salaries - Board	5,760	6,000	(240)
Salaries - Office	50,000	54,516	(4,516)
Service Charges	11,700	10,074	1,626
Telephone/ Utilities	4,600	4,614	(14)
Truck Allowance	5,800	5,800	0
Total Operating Exp.	<u>739,960</u>	<u>761,766</u>	<u>(21,806)</u>
Operating Income	<u>(460)</u>	<u>68,284</u>	<u>68,744</u>

Schedule 4
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Nonoperating Revenues (Expense):			
Interest Income	\$ 0	\$ 10,596	\$ 10,596
Total Nonoperating Revenues	<u>0</u>	<u>10,596</u>	<u>10,596</u>
Increase in Net Assets	<u>\$(460)</u>	<u>\$ 78,880</u>	<u>\$ 79,340</u>

See auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

PATRICIA LEGO LEWIS, CPA
Accounting and Consulting Firm
Notary Public

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Plaquemine, LA 70764

Fax (504) 687-8059
P.O. Box 863
Plaquemine, Louisiana 70765

March 15, 2004

Waterworks District No. 2
Of Iberville Parish
St. Gabriel, Louisiana

I have audited the component unit financial statements of Waterworks District No. 2 of Iberville Parish, Louisiana, for the year ended October 31, 2003, and have issued the report thereon dated March 15, 2004. I conducted the audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Waterworks District No. 2 of Iberville Parish, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Waterworks District No. 2 general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the use of management, and the Louisiana Legislative Auditor, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Commissioners, is a matter of Public record.

Patricia Lego Lewis, CPA
Patricia Lego, Lewis, CPA
Plaquemine, Louisiana

Waterworks District No. 2 of Iberville Parish

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended October 31, 2002

I have audited the financial statements of Waterworks District No. 2 at October 31, 2002 and have issued my report thereon dated March 15, 2003. I conducted the audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The audit of the financial statements at October 31, 2002 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

Financial Statements:

Type of auditor's report issued: Unqualified

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control Over Financial Reporting

Material Weakness Identified

___ Yes

XX No

Reportable Conditions Identified that are not
 considered to be material weaknesses

___ Yes

XX No

Compliance Material to Financial Statements

___ Yes

XX No

Management Letter Issued

___ Yes

XXNo