3231

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

Annual Financial Report

June 30, 2005 and 2004

STAGNI & COMPANY, LLC

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE, STATE OF LOUISIANA
Annual Financial Report
June 30, 2005 and 2004

TABLE OF CONTENTS

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE, STATE OF LOUISIANA
Annual Financial Report
June 30, 2005 and 2004

TABLE OF CONTENTS, (CONTINUED)

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005 and 2004

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2005 and 2004. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

2005 FINANCIAL HIGHLIGHTS

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

- The District's total assets increased $770,854 and total liabilities decreased $1,735,490, resulting in total net assets increasing $2,506,344 or 6.14% from the prior year.
- The District's operating revenues increased $226,010 or 2.66% from the prior year.
- The District's operating expenses increased by $92,052 or 1.22% from the prior year.
- Investment income decreased by $26,353 or 10%, reflective of the lower interest rates.

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 – are 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 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

he Statements of Net Assets includes all of the assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

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,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005 and 2004

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

	FY 2005	FY 2004	Dollar Change	Total Percent Change
Current and Restricted Assets	$ 22.2	$ 22.8	$ (0.6)	-2.6%
Capital Assets	44.7	43.4	1.3	3.0%
Total Assets	**66.9**	**66.2**	**0.7**	**1.1%**
Long-term Debt Outstanding	20.9	22.2	(1.3)	-5.9%
Other Liabilities	2.7	3.2	(0.5)	-15.6%
Total Liabilities	**23.6**	**25.4**	**(1.8)**	**-7.1%**
Invested in Capital Assets, Net of Related Debt	30.5	28.9	1.6	5.5%
Restricted	3.9	3.8	0.1	2.6%
Unrestricted	8.9	8.1	0.8	9.9%
Total Net Assets	**$ 43.3**	**$ 40.8**	**$ 2.5**	**6.1%**

Net assets increased $2.5 million to $43.3 million from $40.8 million in the prior year. Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) increased by $100,000. Unrestricted Net Assets increased by $800,000 to 8.9 million. The Net Assets invested in Capital increased by $1.6 million absorbing most of the positive change in net assets.

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

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

	FY 2005	FY 2004	Dollar Change	Total Percent Change
Operating Revenues	$ 8.7	$ 8.5	$ 0.2	2.4%
Nonoperating Revenues	1.7	1.5	0.2	13.3%
Total Revenues	**10.4**	**10.0**	**0.4**	**4.0%**
Depreciation Expense	2.1	2.0	0.1	5.0%
Other Operating Expenses	5.5	5.5	-	0.0%
Nonoperating Expenses	0.8	1.2	(0.4)	-33.3%
Total Expenses	**8.4**	**8.7**	**(0.3)**	**-3.4%**
Income before Capital Contributions	**2.0**	**1.3**	**0.7**	**53.8%**
Capital Contributions	0.4	0.4	-	0.0%
Change in Net Assets	**2.4**	**1.7**	**0.7**	**41.2%**
Beginning Net Assets	**40.9**	**39.1**	**1.8**	**4.6%**
Ending Net Assets	**$ 43.3**	**$ 40.8**	**$ 2.5**	**6.1%**

Income before contributions was the primary source of the $2.4 million increase in net assets. A closer examination of the changes in net assets reveals that total revenues increased by $.4 million to $10.4 million from $10.0 million. This increase, mainly in operating revenues, was due to increased sales to metered customers. However, costs of operations declined, decreasing by $.3 million to $8.4 million from $8.7 million. This slight decrease was primarily from the decrease in non-operating expenses due to gains recognized on the sale of fixed assets.

BUDGETARY HIGHLIGHTS

As required by its bond covenants, the District 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.

A budget comparison and analysis is presented to the Board in monthly interim financial statements. The adopted budget was not revised in 2005. A comparison of budget and actual is presented in Table A-3.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005 and 2004

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

	Budget	FY 2005	Dollar Variance	Total Percent Variance
Operating Revenues	$ 8.2	$ 8.7	$ 0.5	6.1%
Nonoperating Revenues	1.5	1.7	0.2	13.3%
Total Revenues	**9.7**	**10.4**	**0.7**	**7.2%**
Other Operating Expenses	5.5	5.5	-	0.0%
Depreciation	2.2	2.1	0.1	4.5%
Nonoperating Expenses	1.1	0.8	0.3	27.3%
Total Expenses	**8.8**	**8.4**	**0.4**	**4.5%**
Income before Capital Contributions	**0.9**	**2.0**	**1.1**	**122.2%**
Capital Contributions	-	0.4	0.4	100.0%
Change in Net Assets	**0.9**	**2.4**	**1.5**	**166.7%**
Beginning Net Assets	**34.9**	**40.9**	**6.0**	**17.2%**
Ending Net Assets	**$ 35.8**	**$ 43.3**	**$ 7.5**	**20.9%**

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 less than anticipated costs associated with the bond issue refunding.

CAPITAL ASSETS

At the end of 2005, the Water District had $44.7 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 $1.3 million, or 3 percent, over last year.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005 and 2004

Table A-4
Summary of Capital Assets

	2003	2004	2005
Land and Right of Ways	$ 954,483	$ 952,583	$ 952,583
Construction in Progress	2,413,708	2,156,634	2,219,081
Water Plant & Building	17,790,948	18,080,788	18,132,568
Transmissiion & Distribution	51,749,718	56,103,631	59,289,658
Distribution Equipment	565,435	576,441	589,612
Administration Buildings	534,267	542,167	542,167
Furniture & Equipment	300,834	295,928	301,555
Transportation Equipment	460,733	460,508	457,452
Total Cost of Assets	**74,770,126**	**79,168,680**	**82,484,676**
Accumulated Depreciation	(33,827,657)	(35,723,215)	(37,755,099)
Total Capital Assets, Net	**$ 40,942,469**	**$ 43,445,465**	**$ 44,729,577**
Depreciation Expense	**$ 2,208,362**	**$ 1,997,927**	**$ 2,103,615**

During this year there was $3.3 million of additions and $45,000 of disposals, reflecting a net increase of $3.25 million in capital assets at historical cost.

This year's major capital additions included:

- State Project Larose Bridge $ 553,217
- Waterline Replacement Rosemont Drive, et al $ 330,524
- North Bayou Blue Supply Line $ 599,159
- Waterline Replacement W226th St., et al $ 331,129
- 12" Main Thibodaux to Chackbay $ 726,287
-

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

DEBT ADMINISTRATION

At year-end, the Water District had $23.0 million in bonds outstanding compared to $23.5 million in the prior year—a decrease of 1.9 percent—as shown in Table 5.

Table A-5
Outstanding Debt

	2003	2004	2005
Water Revenue Bonds:			
$10,000,000 dated 10/1/1996	$ 8,705,000	$ 8,175,000	$ 920,000
$10,000,000 dated 1/1/2002	9,715,000	9,410,000	9,090,000
$6,000,000 dated 5/1/2003	6,000,000	5,880,000	5,690,000
	-	-	7,330,000
Total outstanding	$ 24,420,000	$ 23,465,000	$ 23,030,000

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
- 2004 bonds are AAA rated (insured) from XL Capital

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2006, it is estimated that the District:

- Will serve an average of 29,326 customers; an increase of 367 over the average customers served for the twelve-month period ended March 31, 2005
- Will generate water sales in the amount of 3,274,143 M gallons, a decrease of 12,017 M gallons
- Resulting water service revenues are estimated to amount to $8,535,914, which would be $149,633 less than the March 31st twelve-month period of $8,685,547
- Will collect $356,400 for connection charges and penalties for late payment of bills, or about $5,007 more than the level of the comparison year, which will result in total revenues of $8,535,914, down by $149,633 or 1.7 percent.

Table A-6
June 30, 2006 Summary of Projected Budget

Water Service Revenue	$ 8,179,514
Other Operating Revenue	356,400
Total Operating Revenue	8,535,914
Operating Expenses	(7,859,208)
Net Operating Revenue	676,706
Other Income	1,820,276
Other Expenses	(913,844)
Net Income	$ 1,583,138

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 2006, the Board of Commissioners approved a 3.81 mill levy on which the fiscal year 2006 budget revenue has been estimated.

The District's capital expenditures budget for fiscal year 2006 provides for total expenses of $13,418,050, including $9,951,000 of new construction projects. Some of the most significant projects are as follows:

- 18" Water Main Leeville Bridge to Leeville No. 2 B.S. $ 945,000
- 18" Water main Leeville No. 1 B.S. to Leeville Bridge $1,060,000
- North Bayou Blue 300,000 Gallon Tank $ 570,000
- 18" Water Main Leeville No. 1 to Golden Meadow $1,160,000
- 18" Water Main Golden Meadow Floodgate $ 845,000
- 18" Water Main Golden Meadow BS to Galliano BS $1,040,000
- 18" Water Main Galliano B.S. to Cut Off B.S. $1,285,000
- 18" Water Main Cut Off B.S. to Larose B. S. $1,285,000
- Waterline Replacement Fourchon to Leeville Phase 1B $ 850,000

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.

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, 2004 and 2005, 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 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, 2004 and 2005, 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, 2005 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

207 Lafaye Avenue
Thibodaux, LA 70301
Phone (985) 447-7226
Fax (985) 446-3032

11 James Blvd., Suite 210
St. Rose, LA 70087
Phone (504) 468-2258
Fax (504) 464-1473

A Professional Service Organization
Members: AICPA • LCPA
EMAIL: stagni@stagni.com
INTERNET: http://www.stagni.com

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana
Page 2

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, 2005

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

Comparative Statement of Net Assets
Water Enterprise Fund
June 30, 2005 and 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,836,234	$ 1,652,999
Investments	6,344,910	5,903,344
Receivables:		
Water sales	603,887	609,205
Unbilled water sales	577,713	554,918
Sewerage	34,715	35,416
Other	100	217,550
Inventory	465,061	470,243
Prepaid insurance	263,567	224,673
Total current assets	10,126,187	9,668,348
RESTRICTED ASSETS (cash and investments):		
Water revenue bond current debt service cash with fiscal agent	448,884	542,270
Water revenue bond current debt service investment account	1,023,454	1,161,278
Water revenue bond future debt service reserve account	1,682,139	1,667,639
Construction - cash	1,130,267	1,081,815
Construction - investments	6,735,560	7,554,486
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	161,730	145,643
Customer meter deposits investments	700,000	700,000
Total restricted assets	12,082,034	13,053,131
PROPERTY, PLANT AND EQUIPMENT:		
at cost (net of accumulated depreciation of $37,755,099 for 2005 and $35,723,215 for 2004)	44,729,577	43,445,465
TOTAL ASSETS	$ 66,937,798	$ 66,166,944
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	$ 107,225	$ 104,827
Contracts payable	-	338,217
Retainage payable	140,891	173,553
Due to other entities for water sale collections	94,812	95,927
CURRENT LIABILITIES (payable from restricted assets):		
Bonds due within one year	1,045,000	1,090,000
Interest accrued	448,884	542,270
Customer meter deposits	861,320	845,345
Total current liabilities	2,698,132	3,190,139
LONG-TERM DEBT		
Bonds due after one year (net of unamortized discount and defferal of $1,066,134 for 2005 and $212,651 for 2004)	20,918,866	22,162,349
Total liabilities	23,616,998	25,352,488
NET ASSETS		
Invested in capital assets, net of related debt	30,516,369	28,874,452
Restricted for:		
Customer Deposits	861,730	845,643
Capital Projects	1,360,170	1,244,965
Debt Service	1,660,593	1,738,917
Unrestricted	8,921,938	8,110,479
Total net assets	43,320,800	40,814,456
TOTAL LIABILITIES AND NET ASSETS	$ 66,937,798	$ 66,166,944

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, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Metered sales to regular customers	$ 8,336,552	$ 8,135,947
Metered sales to industrial and municipal customers	4,887	4,013
Connection charges and other revenues	376,113	351,582
	8,717,552	8,491,542
OPERATING EXPENSES:		
Water purchased for resale	26,334	30,015
Water treatment expenses	2,533,117	2,501,902
Transmission and distribution expenses	1,244,997	1,466,160
Customer accounts expenses	645,140	665,947
Administrative and general expenses	1,070,967	870,167
Depreciation of utility system	2,103,615	1,997,927
	7,624,170	7,532,118
Income from operations	1,093,382	959,424
NON-OPERATING REVENUE:		
Investment income	230,987	257,340
Ad Valorem taxes	1,402,480	1,266,429
Shared revenue	33,341	49,930
Other income	1,765	1,731
	1,668,573	1,575,430
NON-OPERATING EXPENSES:		
Interest on bonds	846,480	1,106,690
Amortization of debt discount and expense	76,081	16,076
(Gain) loss on sale of fixed assts	(10,604)	983
(Gain) loss on investments	(109,879)	99,648
	802,078	1,223,397
Income or loss before contributions	1,959,877	1,311,457
Capital contributions	436,615	406,619
Change in net assets	2,396,492	1,718,076
Net Assets:		
Beginning of year	40,814,456	39,096,380
Prior period adjustment	109,852	-
Beginning of year, as restated	40,924,308	39,096,380
End of year	$ 43,320,800	$ 40,814,456

See notes to financial statements.

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

Comparative Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	$ 8,934,201	$ 8,528,585
Cash payments to suppliers for goods and services	(3,844,992)	(3,348,007)
Cash payments made to employees for services	(2,078,871)	(2,151,528)
Net cash provided (used) by operating activities	3,010,338	3,029,050
Cash flows from noncapital financing activities:		
Ad valorem taxes received	1,402,480	1,266,429
Revenue sharing grant	33,341	49,930
Other noncapital financing revenue	1,765	1,731
Net cash provided (used) by noncapital financing activities	1,437,586	1,318,090
Cash flows from capital and related financing activities:		
(Aquisition) sale of capital assets	(2,951,111)	(4,094,302)
Gain / (Loss) on sale/abanoned assets	10,604	(983)
Bond Proceeds	7,223,292	0
Payments to escrow to defease debt	(7,282,951)	
Principal paid on revenue bond maturities	(1,118,972)	(938,925)
Interest paid on revenue bonds	(1,015,947)	(1,062,814)
Net cash provided (used) for capital and related financing activities	(5,135,085)	(6,097,024)
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investments	362,859	(3,364,777)
Gain (loss) on sale of investments	109,879	(99,648)
Interest and dividends on investments	230,987	257,340
Net cash provided (used) by investing activities	703,725	(3,207,085)
Net increase (decrease) in cash and cash equivalents	16,564	(4,956,969)
Cash and cash equivalents at the beginning of year	4,584,005	9,540,974
Cash and cash equivalents at the end of year	$ 4,600,569	$ 4,584,005
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	$ 1,836,234	$ 1,652,999
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service with fiscal agent	448,884	542,270
Water revenue bond current debt service account	1,023,454	1,161,278
Construction account	1,130,267	1,081,815
Customer meter deposits	161,730	145,643
	$ 4,600,569	$ 4,584,005
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ 1,093,382	$ 959,424
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,103,615	1,997,927
Changes in assets and liabilities:		
(Increase) decrease in receivables	200,674	10,348
(Increase) decrease in inventory	5,182	(39,512)
(Increase) decrease in prepaid insurance	(38,894)	(57,515)
Increase (decrease) in accounts payable	1,283	69,524
Increase (decrease) in contracts and retainage payable	(370,879)	62,159
Increase (decrease) in customer deposits	15,975	26,695
Total adjustments	1,916,956	2,069,626
Net cash provided (used) by operating activities	$ 3,010,338	$ 3,029,050
Noncash investing and financing activities:		
Acquistions of fixed assets through capital contributions	$ 436,615	$ 406,619

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, 2005 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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the utilities are described below:

Note 1 Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Notes to Financial Statements
For the years ended June 30, 2005 and 2004

Note 1 Summary of Significant Accounting Policies (Continued)

Method of Accounting

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.

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.

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

Notes to Financial Statements
For the years ended June 30, 2005 and 2004

Note 1 Summary of Significant Accounting Policies (Continued)

Inventories

Materials and supplies inventory is valued at cost using the first-in/first-out method.

Prepaid Items

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 defined by the utility as assets with an initial, individual cost of more than $500. Capital assets are reported at cost or the fair market value at the time of contribution to the District. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the plant constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following 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

Note 1 Summary of Significant Accounting Policies (Continued)

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 $28,034 is included in accounts payable and accrued expenses on the Comparative Statement of Net Assets.

Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond discounts and bond issuance costs are being amortized on the interest method over the 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.

Revenues and Expenses

The District distinguishes 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 the principal ongoing operations. The principal operating revenues are charges to customers for sales and services. 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 non-operating revenues and expenses.

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 17, 2004 at the regular board meeting.

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, 2005 and 2004, the carrying amounts of deposits were $7,946,848 and $7,440,912 and the bank balances were $8,014,850 and $7,664,396. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit risk is the risk that in an event of a bank failure, the district's deposits may not be returned to it. 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 $9,582,037 and $9,294,410 for 2005 and 2004, 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.

As of June 30, 2005, $7,712,049 of the government's bank balance of $8,014,850 and as of June 30, 2004 $7,454,603 of the government's bank balance of $7,664,397 was exposed to custodial credit risk as follows:

Type	6/30/2005	6/30/2004
Uninsured and collateral held by pledging bank's trust department not in the district's name	$7,712,049	$7,454,063

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

Notes to Financial Statements
For the years ended June 30, 2005 and 2004

Note 3 Deposits with Financial Institutions and Investments (Continued)

Investments at June 30, 2005 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
FROM RESTRICTED:			
U.S. Treasury Obligations	$2,153,722	$2,153,722	Less than a year
U.S. agencies	8,417,699	8,450,696	Less than a year
TOTAL	10,571,421	10,604,418	
LAMP	1,744,910	1,744,910	Avg. maturity 60 days or less
TOTAL INVESTMENTS	$12,316,331	$12,349,328	

Investments at June 30, 2004 consisted of:

	Carrying Amount	Fair Value	Maturities
FROM RESTRICTED			
U.S. Treasury Obligations	$2,243,093	$2,243,093	Less than a year
U.S. agencies	9,222,125	9,218,694	Less than a year
TOTAL	11,465,218	11,461,787	
LAMP	1,703,344	1,703,344	Avg. maturity 60 days or less
TOTAL INVESTMENTS	$13,168,562	$13,165,131	

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.

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Most of the investments are for the construction project accounts and the district invests it moneys in short term maturity investments so as to have cash flows available to pay invoices on the construction projects as they become due and payable.

Note 3 Deposits with Financial Institutions and Investments (Continued)

Credit Risk and Custodial Credit Risk. State law limits 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. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the district's policy to limit its investments in these investment types. As of December 31, 2004, the district's investment in LAMP was rated AAAm by Standard & Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District 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, 2005 and 2004, 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 the District 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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk; therefore, the district does not have to disclose credit risk for the U.S. Treasury Obligations and U.S. agencies since they carry the explicit guarantee of the U.S. government.

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.

Note 4 Ad Valorem Taxes (Continued)

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, 2004. The assessed value for the property on January 1, on which the 2004 and 2004 levy was based, was $384,078,630 and $346,417,910 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, 2005 and 2004 was 3.81 for both years. Tax collected as of June 30, 2005 and 2004 on the 2004 and 2003 tax levy was 97% and 96% respectively.

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 100% of compensation, not to exceed $14,000 for the 2005 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional $4,000 in 2005 above the annual deferral limit.

During three years prior to normal retirement age as defined by the Plan, a participant may be eligible to contribute a "catch-up" amount if the participant did not contribute the maximum allowable amount during the years of eligibility in the Plan since January 1, 1979. This provision can not be used during the calendar year if the Age 50+ provision is elected, nor may a catch-up contribution be made during the calendar year of the normal retirement age, nor may a catch-up contribution be made if the participant previously participated in catch-up under this or any other Section 457 plan. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship (unforeseeable emergency as defined by the Plan).

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.

Note 6 ***Capital Assets***

Capital assets and depreciation as of and for the years ended June 30, 2005 and June 30, 2004, respectively, is as follows:

Description	Balance June 30, 2003	Net Additions (Dispositions) Reclassifications	Balance June 30, 2004	Net Additions (Dispositions) Reclassifications	Balance June 30, 2005
Capital assets, not being depreciated					
Land and Right of Way	$ 954,483	($1,900)	$ 952,583	$0	$ 952,583
Construction Projects in Progress	2,413,708	(257,074)	2,156,634	62,447	2,219,081
Total capital assets, not being depreciated	3,368,191	(258,974)	3,109,217	62,447	3,171,664
Capital assets, being depreicated					
Water Plant and Building	17,790,948	289,840	18,080,788	51,780	18,132,568
Transmissions and Distribution System	51,749,718	4,353,913	56,103,631	3,186,027	59,289,658
Distribution and Maintenance Equipment	565,435	11,006	576,441	13,171	589,612
Administration and Office Buildings	534,267	7,900	542,167	-	542,167
Furniture and Equipment	300,834	(4,906)	295,928	5,627	301,555
Transportation Equipment	460,733	(225)	460,508	(3,056)	457,452
Total capital assets, being depreciated	71,401,935	4,657,528	76,059,463	3,253,549	79,313,012
Accumulated Depreciation	(33,827,657)	(1,895,558)	(35,723,215)	(2,031,885)	(37,755,099)
Total capital assets, being depreciated net	37,574,278	2,761,970	40,336,248	1,221,664	41,557,912
Total capital assets, net	$ 40,942,469	2,502,996	$ 43,445,465	1,284,111	$ 44,729,577

Depreciation expense for the years ended June 30, 2005 and 2004, respectively was $2,103,615 and $1,997,927.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2005 and 2004

Note 7 *Long-Term Debt*

A summary of bond transactions of the District for the year ended June 30, 2005 and 2004 follows:

	July 1, 2003	Retire-ments	June 30, 2004	Additions/ Corrections	Retire-ments	June 30, 2005
Water Revenue Bonds Payable	$24,420,000	$(955,000)	$23,465,000	$7,330,000	$(7,765,000)	$23,030,000
Bond Issuance Costs	(228,726)	16,075	(212,651)	(321,613)	186,190	(348,074)
Deferral on Refunding	-	-	-	(759,686)	41,626	(718,060)
TOTAL	$24,191,274	$(938,925)	$23,252,349	$6,248,701	$(7,537,184)	$21,963,866

Corrections noted in the above changes in long-term debt table are explained at Note 12. Long-term bonded debt totaling $23,465,000 includes $1,045,000 of bonds payable within one year which is included in the payables from restricted assets on the Comparative Statement of Net Assets.

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2005 and 2004

Note 7 ***Long-Term Debt (Continued)***

Water Revenue Bonds	2005	2004
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%	$920,000	$8,175,000
$10,000,000 Water Revenue Bonds dated January 1, 2002 with a Final maturity on July 1, 2021, And with interest at 4.2%	9,090,000	9,410,000
$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%	5,690,000	5,880,000
$7,330,000 Water Revenue Refunding Bonds dated October 28,2004 with a Final maturity on January 1, 2017 And with interest at 1.8% to 3.85%	7,330,000	
TOTAL	$23,030,000	$23,465,000

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

Notes to Financial Statements (Continued)
For the years ended June 30, 2005 and 2004

Note 7 *Long-Term Debt (Continued)*

The annual requirements to amortize all bonds outstanding, including interest payments as of June 30, 2005 and 2004, are as follows:

Year Ended June 30, 2005	Amount
2006	$1,942,768
2007	1,995,633
2008	2,004,263
2009	2,018,945
2010	2,030,165
2011-2015	10,309,455
2016-2020	8,011,675
2021-2023	3,076,080
TOTAL	$31,388,983

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

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

Notes to Financial Statements
For the years ended June 30, 2005 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 May 3, 2003, and October 28, 2004, 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.

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.

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% and in January 2005 the contributions increased to 12.75%. Member and employer contributions for the year ending June 30, 2005 were $190,397 and $252,692, June 30, 2004 were $197,609 and $206, , and for June 30, 2003 were $191,340 and $159,225, 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.

Note 10 Post Employment Benefits (Continued)

Information on the benefits paid follows:

	2005	**2004**
Premiums paid by the District	$ 13,131	$16,409
Number of retirees	5	6

Note 11 Construction Commitments

Uncompleted construction commitments at June 30, 2005 are as follows:

Project	**Total Estimated Cost (1)**	**Costs incurred to 6/30/05**
Water Replacement along Hospital Drive	$531,020	$ 368,661
8" Waterline Extension along Lake Long Drive – Phase 3	28,016	28,016
8" Waterline Extension Along Hwy 316 – Lower Bayou Blue	34,759	-
State Project 064-02-0027 Fourchon to Leeville – Phase 1A	435,000	27,314
State Project 064-02-0027 Fourchon to Leeville – Phase 1B	855,000	29,754
18" Waterline from Leeville Bridge to Leeville Booster No. 2	1,016,755	77,174
South Water Treatment Plant Residuals Facilities	1,109,144	1,077,419
Totals	**$4,009,694**	**$1,608,338**

(1) Estimated construction cost and engineering fees.

Note 12 Advance Refunding

During the fiscal year ending June 30, 2005, the Water District No. 1 issued $7,330,000 of water revenue refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $6,675,000 of existing water revenue bonds. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column of the statement of net assets. These bonds were issued at a discount of $106,708, which is being amortized over the life of the new debt issue. The advance refunding was undertaken to reduce total debt service payments over the next 12 years by $412,002 and resulted in an economic gain of $339,302.

Note 13 Prior Period Adjustments

Various adjustments were made to the beginning net assets for errors in recording and amortizing bond issue costs for existing bond issues. The 1980 series B and the 1992 series B issues had been paid off in prior years however $11,836 remained in Unamortized Bond Issue Cost amounts. The 2002 and 2003 amortization of bond issue costs were incorrectly calculated and expensed in prior years; therefore $58,985 and $62,703, respectively were added to the Unamortized Bond Issue Cost to correct the error in calculations. The total of these corrections was reflected as an increase in the beginning net assets in an amount of $109,852.

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, 2005

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, 2005 and 2004

	2005	2004
Water Purchased for Resale	$ 26,334	$ 30,015
Water Treatment Expenses:		
Pumping Operations	759,577	747,498
Pumping Maintenance	12,515	6,609
Purification Operations	1,072,835	1,081,358
Purification Maintenance	688,190	666,437
Total Water Treatment Expenses	2,533,117	2,501,902
Transmission and Distribution Expenses:		
Distributions Operations	719,433	688,274
Distribution Maintenance	525,564	777,886
Total Transmission and Distribution Expenses	1,244,997	1,466,160
Customer Accounts Expenses:		
Customer Operations Expense	645,140	665,947
Total Customer Accounts Expense	645,140	665,947
Administrative and General Expenses:		
General Operating & Office Expense	736,719	720,828
Maintenance - General Property and Equipment	334,248	149,181
State Waterline Relocation Projects	-	158
Total Administrative and General Expenses	1,070,967	870,167
Depreciation of Utility System	2,103,615	1,997,927
TOTAL OPERATING EXPENSES	$ 7,624,170	$ 7,532,118

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

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2005 and 2004

Revenue Fund

	2005	2004
Cash Balance, July 1	$ 1,536,375	$ 1,380,308
Receipts:		
From Customers	8,831,382	8,638,007
Interest Earned	106,752	27,971
Transfers from Other Accounts	1,418,471	1,320,946
Others	1,680,085	817,940
	12,036,689	10,804,864
Disbursements:		
Operating Expense	8,788,919	8,224,854
Transfers to Other Accounts	3,355,618	2,423,943
	12,144,537	10,648,797
Cash Balance, June 30	$ 1,428,527	$ 1,536,375

Maintenance and Operating Fund

	2005	2004
Cash Balance, July 1	$ 5	$ 4
Receipts:		
Ad Valorem Taxes (Net)	1,402,480	1,266,429
Revenue Sharing	33,341	49,930
Total	1,435,821	1,316,359
Disbursements:		
Transferred to Revene Fund for Operating Expenses	1,435,825	1,316,358
Cash Balance, June 30	$ 1	$ 5

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

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2005 and 2004

Renewal and Improvements Fund

	2005	2004
Cash Balance, July 1	$6,020,586	$6,117,372
Revenues:		
Interest Earned	49,840	21,175
Transfer from:		
Revenue Fund	3,292,300	2,368,043
Construction Fund	885,678	1,742,520
Reserve Fund	0	56,242
Renewal & Improvements Investments	1,500,000	100,000
	5,727,818	4,287,980
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	5,058,174	4,384,766
Cash Balance, June 30	$6,690,230	$6,020,586

Summary of Cash and Investments - Current Assets

	2005	2004
Revenue Fund	$1,428,527	$1,536,375
Maintenance and Operation Fund	1	5
Renewal and Improvements Fund	6,690,230	6,020,586
Refund Clearing	40	(1,923)
Payroll Clearing	61,146	100
Cash on Hand	700	700
Cash on Deposit - Collection Agent Accounts	500	500
Cash and Temporary Cash Investments - Current Assets	$8,181,144	$7,556,343
Unrestricted Cash and Cash Equivalents	$ 1,836,234	$ 1,652,999
Unrestricted Investments	6,344,910	5,903,344
	$ 8,181,144	$ 7,556,343

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, 2005 and 2004

	Current Debt Service Accounts	Future Debt Service Accounts						
	Bond Fund	Bond Reserve	2002 Construction	2003 Construction	Renewal and Replacement Fund	Customer Meter Deposits	2005 Total	2004 Total
Cash and investments								
July 1	$ 1,703,548	$ 1,667,639	$ 5,594,727	$ 3,041,574	$ 200,000	$ 845,643	$ 13,053,131	$ 14,702,685
Receipts:								
Interest earned	25,537		10,647	13,703		3,055	52,942	172,216
Customer deposits						146,940	146,940	142,700
Discounts	3,629		62,808	28,084			94,521	31,642
Rebate from Bond Commission							-	-
Transfers from:								
Bond Fund		1,682,143					1,682,143	1,335,512
Bond Reserve	1,683,000						1,683,000	1,336,000
2003 Construction Fund							-	-
Water Revenue Fund	2,401,598						2,401,598	2,052,767
Total receipts	4,113,764	1,682,143	73,455	41,787	-	149,995	6,061,144	5,070,837
Disbursements:								
Fees/Claims	-		-				-	120
Principal	1,090,000						1,090,000	955,000
Interest	948,085						948,085	1,046,738
Refund of customer deposits						9,260	9,260	8,900
Premiums	2		24	14			40	140,142
Bond Refunding	624,738						624,738	
Transfers to:								
Renewal and Improvements Fund	-		299,431	586,247			885,678	1,798,762
Bond Reserve	1,682,149						1,682,149	1,335,516
Bond Fund		1,667,643					1,667,643	1,327,178
2002 Construction Fund							-	-
Water Revenue Fund						124,648	124,648	108,035
Total disbursements	4,344,974	1,667,643	299,455	586,261		133,908	7,032,241	6,720,391
Cash and investments								
June 30	$ 1,472,338	$ 1,682,139	$ 5,368,727	$ 2,497,100	$ 200,000	$ 861,730	$ 12,082,034	$ 13,053,131

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.

On October 28, 2004, bonds maturing January 1, 2008 and thereafter were called for redemption with the Water District issuing Water Revenue Refunding Bonds in an amount of $7,330,000.

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 Maturities
$7,330,000 Water Revenue Refunding Bonds, 2004 Series
Dated: October 28, 2004

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2006	$65,000	01/01/2012	$695,000
01/01/2007	105,000	01/01/2013	725,000
01/01/2008	605,000	01/01/2014	750,000
01/01/2009	630,000	01/01/2015	780,000
01/01/2010	650,000	01/01/2016	810,000
01/01/2011	670,000	01/01/2017	845,000
		TOTAL	$7,330,000

Bonds are in denominations of $5,000 or any integral multiple thereof within a single maturity.

The Bonds are not callable for redemption by the Issuer prior to their stated maturities.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Metered Water Customers
June 30, 2005
(Unaudited)

All sales of water are metered. At June 30, 2005, there were 28,983 active metered customers.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Insurance in Force
June 30, 2005
(Unaudited)

Amount of Policy	Risks Covered	Insurer	Expiration Date
$23,645,446 (per schedule)	Commercial Property Inland & Marine Deductible $10,000 Wind Deductible $ 5,000 All Other Perils	Landmark American Insurance Co.	03/01/06
$ 50,000,000	Boiler & Machinery Deductible $1,000	Travelers Insurance	03/01/07
$ 1,000,000	General Liability	Nation Union Fire Insurance Co. of LA	03/01/06
$ 1,000,000 $ 500,000	Automobile (Uninsured Motorist)	American Home Assurance co.	03/01/06
$ 10,000,000	Commercial Umbrella Liability Coverage	American International Speciality Lines Insurance Co.	03/01/06
$ 2,000,000	Public Officials Errors & Omissions Deductible $10,000	National Union Fire Insurance Co. of PA	03/01/06
$ 50,000	Public Officials Oath Bond	CNA Surety	03/01/06
$ 250,000	Fidelity/Crime	CNA Surety	03/01/06
$ 1,000,000	Worker's Compensation	Bridgefield Casualty	03/01/06
$ 1,000,000	Pollution Liability	Stead Fast Insurance Company	05/17/08
$ 1,000,000	Terrorism (Added to Building & Contents)	American International Speciality Lines Insurance Co.	03/01/06

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, 2005, which comprise the basic financial statements, and have issued our report thereon dated August 9, 2005. 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.

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.

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.

207 Lafaye Avenue
Thibodaux, LA 70301
Phone (985) 447-7226
Fax (985) 446-3032

11 James Blvd., Suite 210
St. Rose, LA 70087
Phone (504) 468-2258
Fax (504) 464-1473

A Professional Service Organization
Members: AICPA • LCPA
EMAIL: stagni@stagni.com
INTERNET: http://www.stagni.com

To the Board of Commissioners
Water District No. 1
Page 2

Compliance and Other Matters

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.*

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 Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

Thibodaux, Louisiana
August 9, 2005

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

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

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, 2005 and have issued our report thereon dated August 9, 2005. 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, 2005, 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, 2005

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken

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, 2005

Reference Number	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date

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