

RECEIVED
LEGISLATIVE AUDITOR
04 NOV 29 AM 11:24

**WATERWORKS DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA**

Financial Statements

Year Ended May 31, 2004

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 12-8-04

TABLE OF CONTENTS

	<u>Page</u>
Required Supplemental Information:	
Management's Discussion and Analysis	1 - 3
Financial Section:	
Independent Auditor's Report	4 - 5
Basic Financial Statements - Water Enterprise Fund	
Comparative Statement of Net Assets	6 - 7
Comparative Statement of Revenues, Expenses, and Changes in Net Assets	8
Comparative Statement of Cash Flows	9 - 10
Notes to Financial Statements	11 - 18
Supplemental Information Schedules:	
Comparative Schedule of Operating Expenses (Schedule 1)	20
Bonded Indebtedness General Obligation Bonds, Dated April 1, 1990 (Schedule 2)	21
Bonded Indebtedness Revenue Bonds, Dated March 1, 2000 (Schedule 3)	22
Schedule of Compensation Paid Board (Schedule 4)	23
Summary Schedule Schedule of Prior Audit Findings (Schedule 5)	24
Management's Corrective Action Plan for Current Year Audit Findings (Schedule 6)	25

	<u>Page</u>
Independent Auditor's Report Required By <i>Government</i> Auditing Standards	26
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	27

**REQUIRED SUPPLEMENTAL
INFORMATION**

**WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA
Management's Discussion and Analysis
Year Ended May 31, 2004**

Our discussion and analysis of Water District No. 5 of the Parish of St. Mary, State of Louisiana's (Water District No. 5) financial performance provides an overview of Water District No. 5's financial activities for the fiscal year ended May 31, 2004. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

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

- As a result of this year's operations, assets exceeded liabilities by \$3.2 million (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3.0 million. During the fiscal year reported, net assets increased by \$160,000 or 5.2%.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$2,575,763 included property and equipment, net of accumulated depreciation, net of long-term debt.
 - (2) Net assets of \$153,619 are restricted by constraints imposed from outside the office such as grantors, laws, debt covenants or regulations.
 - (3) Unrestricted net assets of \$494,865 represent the portion available to maintain continuing obligations to citizens and creditors.
- Total spending for all waterworks activities was \$1,064,591 for the year, which was \$159,000 less than the charges for services, and the capital grants and contributions received for these activities - \$1,224,068. During the year, revenues increased \$230,000 or 23.2% over the previous year, while expenses decreased 20,000 or 1.8%.
- Capital contributions were \$83,179 this year. There were no capital contributions in the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses and Net Assets (on pages 6-8) provide both long-term and short-term information about Water District No. 5's overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net assets and how they have changed. Net assets – the difference between assets and liabilities – is one way to measure financial health, or position. Over time, increases or decreases in net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The Comparative Statement of Net Assets also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current year's revenues 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 of 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 from 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.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA
Management's Discussion and Analysis
Year Ended May 31, 2004

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.

FINANCIAL ANALYSIS AS A WHOLE

As stated previously, net assets increased by \$159,000 as a result of this year's operations. Water District No. 5's overall financial position improved during the year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – realized the majority of this increase in net assets. The balance in net assets represents the accumulated results of all past years' operations. It means that if the District had to pay off all its bills today, including all of our non-capital liabilities, we would have \$3.2 million left.

NET ASSETS

As noted earlier and as can be seen from the Comparative Statement of Net Assets (pages 6 & 7), net assets increased \$188,000 to \$3.2 million. Among the components of net assets, Investment in capital assets increased \$88,000 due to payment of bonded debt in the amount of \$125,000 in accordance with amortization schedules and depreciation expense exceeding the cost of fixed assets capitalized during the year. Restricted net assets increased \$92,000 due to a significant increase in collections of ad valorem taxes dedicated to debt service and increased transfers to the capital additions and contingencies account due to increases in revenues recognized. Unrestricted net assets increased \$8,000 due to increased revenues and control of expenses.

CHANGE IN NET ASSETS

While the Comparative Statement of Net Assets shows the change in financial position of net assets, the Comparative Statement of Revenues, Expenses, and Net Assets shows the changes in net assets. As can be seen on the statement (page 8), the increase in net assets was almost evenly split between capital contributions and income before contributions.

Capital contributions consisted of the District's share of state grant proceeds used in construction of the new multi-purpose office building of which the District has a financial interest. Income before contributions realized an increase of \$167,000 over the previous year. The increase is primarily attributable to the rate increase instituted during 2003. Water sales increased \$100,000 over the previous year. Also, the District instituted stiffer penalties for late payment and reconnection of services disconnected for nonpayment. These increased penalties generated \$20,000 additional revenue over the previous year. Ad valorem tax revenues increased approximately \$25,000 over the previous year.

On the expense side, total expenses of the District decreased \$20,000 from prior year levels. Increases in personnel costs and utility costs as a result of the new office building were more than offset by decreases in repair costs incurred at the water plant and in the water system.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The cost of property and equipment, net of accumulated depreciation as of May 31, 2004 and 2003 was \$4,689,000 and \$4,718,000, respectively.

This year, the District recognized \$219,000 in depreciation expense and \$190,000 of capital additions. Capital additions were primarily comprised of the costs related to the construction and furnishing of the new office building

**WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA
Management's Discussion and Analysis
Year Ended May 31, 2004**

and the costs related to a capital project entered into to install hand rails at the water plant. A summary table of property and equipment is presented at Note 5 in the financial statements.

LONG-TERM DEBT

At year-end, the District had \$2,085,000 in public improvement bonds outstanding, a decrease of approximately 5.6% from the prior year. The District issued no new debt during the year. However, the District is in process of issuing new debt in 2004-2005 to finance the replacement of existing waterlines within the District to replace the old lines with larger diameter new lines to allow for greater water flow.

The District has not had its bonds rated by any of the bond rating agencies.

ECONOMIC FACTORS AND FUTURE RATES

The Board of Commissioners and management are constantly reviewing economic factors within the District and the surrounding area and current financial data in order to make decisions that would be in the best interest of the District. The Board and management are vigilant when considering balancing the District's needs while, at the same time, maintaining costs at levels consistent with the previous year. If management's estimates about future operating results remain consistent, the net asset balance of the District would be expected to remain level or increase modestly over the prior year.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the Water District No. 5's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the St. Mary Parish Waterworks District No. 5's office manager, Jan Smith, PO 177, Centerville, LA 70522.

FINANCIAL SECTION

MARSHALL W. GUIDRY, CPA
MICHELE L. CHAUVIN, CPA
ALAN M. TAYLOR, CPA

GUIDRY, CHAUVIN & TAYLOR
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 1028 - 1013 MAIN STREET
FRANKLIN, LOUISIANA 70538

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

337 - 828-0272
FAX 337 - 828-0290

INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
Waterworks District No. 5 of the
Parish of St. Mary, State of Louisiana
Centerville, Louisiana**

We have audited the accompanying basic financial statements of the Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the years ended May 31, 2004 and 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana's management. Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana as of May 31, 2004, and the results of its operations and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended May 31, 2003 the Waterworks District No. 5 implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 creates new basic financial statements for reporting on the Waterworks District No. 5's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements, which presents information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The Waterworks District No. 5 also implemented GASB Statement No. 37, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments: Omnibus No. 38, Certain Financial Statements Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2004, on our consideration of the Waterworks District No. 5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

The 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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 basic financial statements taken as a whole. 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 Waterworks District No. 5. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Guidry, Chauvin & Taylor
Certified Public Accountants

Franklin, Louisiana
September 28, 2004

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Comparative Statement of Net Assets
May 31, 2004 and 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 328,938	\$ 328,020
Accounts receivable-water billings	107,811	103,884
Interest receivable	81	82
Other receivables	1,551	-
Prepaid expenses	<u>32,701</u>	<u>33,353</u>
Total Current Assets	<u>469,082</u>	<u>465,339</u>
Non-Current Assets:		
Deferred charges - Unamortized bond issue cost	<u>30,971</u>	<u>34,639</u>
Total Non-Current Assets	<u>30,971</u>	<u>34,639</u>
Restricted Assets:		
Meter Deposit Fund:		
Cash	61,473	59,815
Interest receivable	29	384
Sinking Fund for Public Improvement Bonds:		
Cash	70,897	9,852
Interest receivable	234	13
Capital Additions & Contingencies Fund		
Cash	82,457	51,880
Interest receivable	<u>31</u>	<u>17</u>
Total Restricted Assets	<u>215,121</u>	<u>121,961</u>
Waterworks System, Plant and Equipment (net of accumulated depreciation)	<u>4,688,949</u>	<u>4,718,465</u>
TOTAL ASSETS	<u>\$ 5,404,123</u>	<u>\$ 5,340,404</u>

<u>LIABILITIES AND FUND EQUITY</u>	<u>2004</u>	<u>2003</u>
Current Liabilities:		
Payable from current assets:		
Accounts payable	\$ 591	\$ 8,402
Accrued expense	4,597	4,519
Water meter deposits	<u>-</u>	<u>172</u>
Total payable from current assets	<u>5,188</u>	<u>13,093</u>
Current Liabilities - Payable from Restricted Assets:		
Sinking Fund for Public Improvement		
Bonds:		
Bonds payable within one year	135,000	120,000
Interest payable	28,186	20,790
Water meter deposits	<u>61,502</u>	<u>60,199</u>
Total payable from restricted assets	<u>224,688</u>	<u>200,989</u>
Total Current Liabilities	229,876	214,082
Long-term Liabilities:		
Bonds Payable (net of current portion)	<u>1,950,000</u>	<u>2,090,000</u>
Total Liabilities	<u>2,179,876</u>	<u>2,304,082</u>
Net Assets		
Investments in capital assets, net of related debt	2,575,763	2,487,675
Restricted	153,619	61,762
Unrestricted	<u>494,865</u>	<u>486,885</u>
Total Retained Earnings	<u>3,224,247</u>	<u>3,036,322</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,404,123</u>	<u>\$ 5,340,404</u>

See accompanying notes to financial statements.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Comparative Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended May 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Charges for services:		
Water sales	\$ 548,842	\$ 448,557
Service fees	52,665	32,436
Late payment fees	13,385	9,573
Collection fees	<u>13,910</u>	<u>13,915</u>
Total Operating Revenues	<u>628,802</u>	<u>504,481</u>
Operating Expenses		
Personal services and related benefits	392,974	367,771
Supplies and materials	80,377	80,112
Other services and charges	240,018	276,482
Depreciation	<u>219,084</u>	<u>215,082</u>
Total Operating Expenses	<u>932,453</u>	<u>939,457</u>
Income (Loss) From Operations	<u>(303,651)</u>	<u>(434,976)</u>
Non-operating Revenues (Expenses)		
Ad valorem taxes - maintenance	241,317	255,505
Ad valorem taxes- debt retirement	258,207	218,532
State revenue sharing	8,351	8,631
Investment income	3,464	5,513
Miscellaneous income	748	1,049
Bond interest	(132,138)	(130,343)
Intergovernmental Agreement	-	(14,848)
Total Non-operating Revenues (Expenses)	<u>379,949</u>	<u>344,039</u>
Income (Loss) Before Contributions	76,298	(90,937)
Capital contributions	<u>83,179</u>	<u>-</u>
Change in Net Assets	159,477	(90,937)
Net Assets, Beginning of Year	3,036,322	3,127,259
Add: Prior Period Adjustment	<u>28,448</u>	<u>-</u>
Net Assets, Beginning of Year (as adjusted)	<u>3,064,770</u>	<u>3,127,259</u>
Net Assets, End of Year	<u>\$ 3,224,247</u>	<u>\$ 3,036,322</u>

See accompanying notes to financial statements.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Comparative Statement of Cash Flows
For the Years Ended May 31, 2004 and 2003**

	2004	2003
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 626,006	\$ 481,960
Payments to suppliers for goods and services	(427,789)	(435,404)
Payments to employees for services	(290,544)	(280,841)
Other	-	427
Net cash provided (used) in operating activities	(92,327)	(233,858)
Cash Flows From Noncapital Financing Activities:		
Ad-valorem taxes	499,524	474,037
State revenue sharing	8,351	8,631
Miscellaneous income	748	1,049
Net cash provided (used) in noncapital financing activities	508,623	483,717
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(77,941)	(34,068)
Interest received on restricted funds	1,897	1,930
Principal paid on general obligation bonds	(125,000)	(140,000)
Interest paid on general obligation bonds	(124,742)	(130,343)
Intergovernmental agreement	-	(14,848)
Net cash flows used by capital and related financing activities	(325,786)	(317,329)
Cash Flows From Investing Activities:		
Interest earned on operating funds	1,688	3,583
Net cash provided by investing activities	1,688	3,583
Net Increase (Decrease) in Cash and Cash Equivalents	92,198	(63,887)
Cash and cash equivalents at May 31, 2003	449,567	513,454
Cash and cash equivalents at May 31, 2004	\$ 541,765	\$ 449,567
Cash and Cash Equivalents:		
Unrestricted	\$ 326,938	\$ 328,020
Restricted - Meter Deposit	61,473	59,815
Restricted - Sinking Fund	70,897	9,852
Restricted - Capital Additions	82,457	51,880
	\$ 541,765	\$ 449,567

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Comparative Statement of Cash Flows (Continued)
For the Years Ended May 31, 2004 and 2003**

	2004	2003
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	<u>\$ (303,651)</u>	<u>\$ (434,978)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	219,084	215,082
(Increase) decrease in accounts receivable	(3,927)	(21,646)
(Increase) decrease in interest receivable	-	81
(Increase) decrease in other receivable	(1,551)	-
(Increase) decrease in unamortized bond issue costs	3,668	(5,879)
(Increase) decrease in prepaid expenses	652	3,877
Increase (decrease) in accounts payable	(7,811)	7,350
Increase (decrease) in accrued expenses	78	2,582
Increase (decrease) in water meter deposits	(172)	(875)
Increase (decrease) in restricted interest payable	-	(1,120)
Increase (decrease) in restricted water meter deposits	<u>1,303</u>	<u>1,466</u>
Total adjustments	<u>211,324</u>	<u>201,118</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (92,327)</u>	<u>\$ (233,858)</u>

See accompanying notes to financial statements.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements
May 31, 2004**

INTRODUCTION

Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana was created by Ordinance No. 595 of the St. Mary Parish Police Jury, on September 5, 1954, for the purpose of establishing, acquiring, constructing, maintaining and operating a waterworks system for the benefit of the people of the District. The District is governed by a board of seven members. These board members are appointed by the St. Mary Parish Council. The board meets each month on the third Tuesday at the waterworks district office. The members receive a per diem of \$50 for each meeting attended. At May 31, 2004, there were approximately 1,967 customers receiving service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of the St. Mary Parish Water District No.5 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied in governmental units. The Governmental Accounting Standards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The district is a component unit of the St. Mary Parish Council, the financial reporting entity. The parish council is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

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

D. BASIS OF ACCOUNTING

The District has implemented GASB Statement No. 34, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments*. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues: Water sales and service and collection fees are recorded when earned. Ad valorem and state revenue sharing taxes are recorded in the year the taxes are due and payable. Interest income is recorded when earned. All other revenues are recorded when received.

Expenses: Expenditures are recorded in the period that the liabilities are incurred.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation is not employed by the water district.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. Otherwise, they are classified as cash equivalents.

G. INTEREST RECEIVABLE

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond May 31, 2004, are recorded as prepaid expenses. At May 31, 2004, prepaid expenses were recorded as \$32,701.

I. RESTRICTED ASSETS

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "meter deposit fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "construction fund" account is used to report those proceeds of bond issuances that are restricted for use in construction.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

J. WATERWORKS SYSTEM, PLANT AND EQUIPMENT

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Fixed assets used in the proprietary fund type operations are valued at historical costs. Infrastructure fixed assets, consisting of the waterworks system, are capitalized along with other fixed assets. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Fixed assets on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets as follows:

Water plants, lines and meters	5 – 50 years
Office building	20 – 39 years
Furniture and equipment	5 – 10 years
Trucks	5 years

Depreciation amounted to \$219,084 and \$215,082 for the years ended May 31, 2004 and 2003, respectively.

K. CAPITALIZATION OF INTEREST COSTS

Interest costs incurred by the district during the construction of an asset for its own use are subject to capitalization based on the guidelines established by FAS-34 (Capitalization of Interest Costs).

L. BOND ISSUANCE COSTS

Bond issuance costs for proprietary funds are deferred and amortized over the term of the bonds outstanding. Bond issuance costs are recorded as deferred charges on the balance sheet.

M. COMPENSATED ABSENCES

The district has the following policy relating to vacation and sick leave:

Permanent employees shall earn vacation and sick leave. An employee shall be authorized annual leave in the following manner; effective with his/her anniversary date:

<u>Years of Service</u>	<u>Annual Leave</u>
Less than 1 year	0 workdays
1-5 years	10 workdays
6-15 years	15 workdays
16-20 years	20 workdays
21 or more years	25 workdays

Unused vacation leave can only be carried to the following calendar year when an employee is denied part of his leave because of an emergency.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

Sick leave shall be earned at the rate of 1 day per month, up to 12 days per year. An employee may accrue up to 120 days of sick leave.

No liability has been accrued for compensated absences on the financial statements because the amount is immaterial.

N. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

O. FUND EQUITY

Reserves represent those portions of fund equity legally segregated for a specified future use.

P. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. RISK MANAGEMENT

The District is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance is purchased for claims arising from such matters.

2. CASH AND CASH EQUIVALENTS

At May 31, 2004, the district has cash and cash equivalents (book balances) totaling \$538,228 as follows:

Demand deposits	\$ 4,572
Interest-bearing demand deposits	117,943
Time deposits	<u>415,713</u>
Total	<u>\$ 538,228</u>

The deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At May 31, 2004 the district has \$568,554 in deposits (collected bank balances). These deposits are secured from risk by \$204,249 of federal

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

deposit insurance and \$1,385,330 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 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 District that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The district records water sales revenue in the month the services are rendered. At May 31, 2004, accounts receivables were recorded as \$107,811.

The financial statements contain no allowance for uncollectible accounts receivable. Based on the opinion of management, receivables are collectible and possible bad debt losses are immaterial.

4. AD VALOREM TAXES

The district's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31. The taxes are delinquent on January 1, at which time an enforceable lien attaches to the property. The taxes are collected on behalf of the district by the Sheriff and then remitted to the district. Most of the taxes are actually received by the district in January and February. The tax rate for the year ended December 31, 2003 was 4.72 mills per \$1,000 for maintenance and operations and 5.06 mills per \$1,000 for bond and interest payments.

5. CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets:

	Balance May 31, 2003	Additions	Deductions	Balance May 31, 2004
Construction in Progress	\$ -	\$ 5,255	\$ -	\$ 5,255
Land	22,237	-	-	22,237
Water plant & lines prior to 6-1-75	1,416,224	-	-	1,416,224
New water treatment plant	3,517,656	45,774	-	3,563,430
New water lines and meters	3,054,709	-	-	3,054,709
Office building	99,634	129,262	-	228,896
Furniture & equipment	170,968	9,277	-	180,245
Trucks	47,498	-	-	47,498
Sub-Total	8,328,926	189,568	-	8,518,494
Less accumulated depreciation	<u>(3,610,461)</u>	<u>(219,084)</u>	-	<u>(3,829,545)</u>
Total	<u>\$ 4,718,465</u>	<u>\$ (29,516)</u>	\$ -	<u>\$ 4,688,949</u>

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

Depreciation expense related to the utilization of fixed assets for the year ended May 31, 2004, is \$219,084.

6. LONG-TERM DEBT

The following is a summary of the District's long-term debt transactions for the year ended May 31, 2004:

	<u>Public Improvement Bonds</u>
Bonds payable at June 1, 2003	\$ 2,210,000
Bonds called	-
Bonds matured	(125,000)
Bonds issued	-
Bonds payable at May 31, 2004	<u>\$ 2,085,000</u>

Bonds payable at May 31, 2004 are comprised of the following individual issues:

The government issues bonds when the government pledges income derived from the constructed assets to pay debt service. Revenue bonds outstanding are as follows:

\$495,000 Public Improvement Bonds, dated June 1, 1999, final maturity date April 1, 2010, interest rate 4.85%. Balance outstanding at May 31, 2004 was \$330,000.

\$1,900,000 Public Improvement Bonds, dated March 1, 2000, final maturity date March 1, 2020, interest rate 5.30% to 6.10%. Balance outstanding at May 31, 2004 was \$1,755,000.

The following is a schedule of future debt service requirements including interest of \$965,996 at May 31, 2004:

<u>Year</u>	<u>Amount</u>
2005	\$ 249,488
2006	242,260
2007	239,803
2008	237,036
2009	233,892
2010-2020	<u>1,848,517</u>
Total	<u>\$ 3,050,996</u>

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverage. The district is substantially in compliance with all such significant limitations and restrictions.

The total amount of interest costs incurred and charged to expense during the period was \$132,138. The total amount of interest costs capitalized during the period was \$0.

7. METER DEPOSITS

As authorized under Louisiana Revised Statutes, funds amounting to \$81,502 have been restricted in the Meter Deposit Fund for the purchase of water meters.

8. PENSION PLAN

Plan Description. Substantially all employees of the St. Mary Parish Waterworks District are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the district are members of Plan B.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 62 with at least 10 years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed the lesser of 100 percent of final-average salary or \$70 multiplied by total years of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

Funding Policy. Under Plan B, members are required by state statute to contribute 3.0 percent of their annual covered salary in excess of \$1,200 and the District is required to contribute at an actuarially determined rate. The current rate is 5.25 percent of annual covered payroll.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)
May 31, 2004**

Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan B for the years ending May 31, 2004, 2003, and 2002 were \$12,570, \$8,851, and \$8,205, respectively, equal to the required contributions for each year.

9. LEASES

The district had no material capital or operating leases at May 31, 2004.

10. LITIGATION

There is no litigation pending against the district's office at May 31, 2004.

11. MAJOR CUSTOMERS

During the year the district had two major customers, each of whose purchases exceeded 10% of total sales. Sales to these customers were as follows:

Cabot Corporation	\$ 170,117
Columbian Chemical Company	<u>67,420</u>
Total	<u>\$ 237,537</u>

12. PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended May 31, 2003 the District recorded its share of the costs of the construction of the multi-purpose building as a contribution under the intergovernmental agreement and accounted for those costs as expenditures of the District thereby reducing retained earnings. In the financial statements for the year ended May 31, 2004, it was determined that these costs should have been reflected as capital costs comprising a portion of the District's ownership investment in the multi-purpose building. The correction of this error resulted in a restatement of the beginning balance of retained earnings for the year ended May 31, 2004 and had the effect of increasing the beginning balance in retained earnings by \$28,448.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Supplemental Information Schedules
For the Year Ended May 31, 2004**

OPERATING EXPENSES

The schedule of operating expenses is presented in order to provide a detailed breakdown of operating expenses for the years ended May 31, 2004 and 2003 (Schedule 1)

BONDED INDEBTEDNESS

The schedules of bonded indebtedness are presented in order to provide a detail of future bond requirements for each bond issue. (Schedules 2 and 3)

COMPENSATION PAID BOARD MEMBERS

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute Section 3819 provides for each board member to receive a per diem not to exceed \$60 for each meeting they attend, up to and including 24 meetings each year and for each special meeting not to exceed 12 per year. The St. Mary Parish Water District No. 5 pays per diem of \$50 per meeting. (Schedule 4)

PRIOR AUDIT FINDINGS

The follow-up and corrective action taken on all prior audit findings is presented in the summary schedule of prior audit findings. (Schedule 5)

CURRENT AUDIT FINDINGS

The corrective action plan for current year audit findings is presented in Schedule 6.

WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUND

Schedules of Operating Expenses
For the Years Ended May 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>OPERATING EXPENSES</u>		
Personal Services:		
Salaries	\$ 290,544	\$ 280,841
Hospitalization insurance	68,443	58,839
Payroll taxes	21,417	21,568
Retirement	<u>12,570</u>	<u>8,523</u>
Total Personal Services	<u>392,974</u>	<u>367,771</u>
Supplies and Materials:		
Chemicals	61,185	67,894
Office expense	13,444	6,456
Postage	<u>5,748</u>	<u>5,762</u>
Total Supplies and Materials	<u>80,377</u>	<u>80,112</u>
Other Service and Charges:		
Accounting fees	6,000	6,000
Board meetings	7,650	7,500
Consulting engineer	5,783	1,244
Dues and subscriptions	290	230
Education	3,365	3,598
Insurance-general	59,951	58,516
Maintenance-water system	36,008	53,351
Maintenance-water plant	14,901	58,747
Mapping Project	-	467
Miscellaneous	2,372	1,085
Professional Fees (Bond Cost)	3,919	4,129
Truck maintenance	13,600	12,703
Utilities	<u>86,179</u>	<u>68,922</u>
Total Other Services and Charges	<u>240,018</u>	<u>276,492</u>
Depreciation	<u>219,084</u>	<u>215,082</u>
TOTAL OPERATING EXPENSES	<u>\$ 932,453</u>	<u>\$ 939,457</u>

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

May 31, 2004

**Bonded Indebtedness
General Obligation Bonds
Dated April 1, 1990**

<u>Maturity</u>	<u>Bond Numbers</u>	<u>Yearly Payments</u>			<u>Bonds Outstanding</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	R-6	50,000	14,793	64,793	280,000
2006	R-7	50,000	12,368	62,368	230,000
2007	R-8	50,000	9,943	59,943	180,000
2008	R-9	55,000	7,396	62,396	125,000
2009	R-10	60,000	4,607	64,607	65,000
2010	R-11	<u>65,000</u>	<u>1,576</u>	<u>66,576</u>	<u>-</u>
Totals		<u>\$330,000</u>	<u>\$ 50,683</u>	<u>\$380,683</u>	

Original issue dated June 1, 1999, for \$495,000.
Paying Agent, Trust Company of Louisiana, Ruston, Louisiana.

This obligation was incurred for the purpose of advance refunding \$575,000 of outstanding General Obligation Bonds, Dated April, 1, 1990, maturing April 1, 2001 through April 1, 2010. The net proceeds of \$482,687 (after payment of \$12,313 in issuance costs) plus an additional \$110,000 of cash provided by the district was used to pay off the 1990 Series bonds on their call date of April 1, 2000.

The bonds are secured by a special tax to be imposed on all property subject to taxation within the territorial limits of Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana, sufficient in amount to pay the principal and interest as they severally mature, with option of prior payment.

The bonds shall be callable for redemption in full at any time on or after April 1, 2005, or in part on any interest payment date on or after April 1, 2004, in the inverse order of their maturities.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

May 31, 2004

**Bonded Indebtedness
General Obligation Bonds
Dated March 1, 2000**

<u>Maturity</u>	<u>Bond Numbers</u>	<u>Yearly Payments</u>			<u>Bonds Outstanding</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	R-4	85,000	99,695	184,695	1,670,000
2006	R-5	85,000	94,892	179,892	1,585,000
2007	R-6	90,000	89,860	179,860	1,495,000
2008	R-7	90,000	84,640	174,640	1,405,000
2009	R-8	90,000	79,285	169,285	1,315,000
2010	R-9	95,000	73,547	168,547	1,220,000
2011	R-10	95,000	68,038	163,038	1,125,000
2012	R-11	100,000	62,870	162,870	1,025,000
2013	R-12	105,000	57,385	162,385	920,000
2014	R-13	110,000	51,415	161,415	810,000
2015	R-14	120,000	44,800	164,800	690,000
2016	R-15	125,000	37,695	162,695	565,000
2017	R-16	130,000	30,235	160,235	435,000
2018	R-17	135,000	22,350	157,350	300,000
2019	R-18	145,000	13,878	158,878	155,000
2020	R-19	<u>155,000</u>	<u>4,728</u>	<u>159,728</u>	-
Totals		<u>\$1,755,000</u>	<u>\$ 915,313</u>	<u>\$2,670,313</u>	

Original issue dated March 1, 2000 for \$1,900,000.
Paying Agent, Sabine State Bank & Trust Company, Many, Louisiana.

This obligation was incurred for the purpose of constructing and acquiring improvements to the waterworks plant and system for said Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana, providing \$400,000 of funds to refund and refinance a like principal amount of an outstanding issue of Certificates of Indebtedness, Series 1995, maturing September 1, 2000 through September 1, 2005.

The bonds are secured by a special tax to be imposed on all property subject to taxation within the territorial limits of Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana, sufficient in amount to pay the principal and interest as they severally mature, with option of prior payment.

The bonds shall be callable for redemption in full at any time on or after March 1, 2011, or in part on any interest payment date on or after March 1, 2010, in the inverse order of their maturities.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Schedule of Compensation Paid Board Members
For the Year Ended May 31, 2004**

<u>Board Member</u>	<u>Number</u>	<u>Amount</u>
Jack Benedetto	17	\$ 850
Donald Hahn	18	900
H.A. Pinho	18	900
David Franklin	17	850
William Lancios, Jr	17	850
Wesley Simoneaux	18	900
Wendall Bogan	<u>16</u>	<u>800</u>
 Total	 116	 6,050
 Jamie Miller (Superintendent)	 14	 700
Jan Smith (Sec./Treasurer)	<u>18</u>	<u>900</u>
 Total Per Diem	 148	 <u>\$7,650</u>

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Summary Schedule of Prior Audit Findings
For the Year Ended May 31, 2004**

<u>Ref.No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
----------------	---	-----------------------------------	--	--

Section I - Internal Control and Compliance Material to the Financial Statements:

Section II - Management Letter:

Note: There were no prior year audit findings to be listed in this schedule.

**WATERWORKS DISTRICT NO. 5 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA**

**Management's Corrective Action Plan
for Current Year Audit Findings
For the Year Ended May 31, 2004**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
-----------------	-----------------------------------	--------------------------------------	--	--

Section I - Internal Control and Compliance Material to the Financial Statements:

Section II - Management Letter:

Note: There are no current year audit findings or management letter comments to be included in this schedule.

**Independent Auditor's Report Required
By Governmental Auditing Standards**

MARSHALL W. GUIDRY, CPA
MICHELE L. CHAUVIN, CPA
ALAN M. TAYLOR, CPA

GUIDRY, CHAUVIN & TAYLOR
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 1028 - 1013 MAIN STREET
FRANKLIN, LOUISIANA 70538

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

337 - 828-0272
FAX 337 - 828-0290

**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 Directors of
Waterworks District No. 5 of the
Parish of St. Mary, State of Louisiana
Centerville, LA 70522

We have audited the financial statements of the business-type activities of the Waterworks District No. 5 ("District"), as of and for the year ended May 31, 2004, which comprises the District's basic financial statements and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Waterworks District No. 5'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.

This report is intended solely for the information and use of the Waterworks District's board, St. Mary Parish Council and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Guidry, Chauvin & Taylor
Certified Public Accountants

Franklin, Louisiana
September 28, 2004