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ACCOUNTANTS' COMPILATION REPORT

WM. PEARCE JAMIESON, CPA (1991)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
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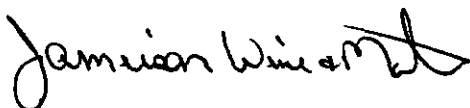
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Central Water System, Inc.
P O Box 214
Heflin, Louisiana 71039

We have compiled the accompanying statements of financial position of Central Water System, Inc. as of August 31, 2004 and 2003, and the related statements of activities and cash flows, for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

We are not independent with respect to Central Water System, Inc.



Minden, Louisiana
November 24, 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 12/15/04

Central Water System, Inc.
 Statements of Financial Position
 August 31, 2004 and 2003
 (Unaudited)

ASSETS

	2004	2003
Current assets		
Cash and interest-bearing deposits -		
Unrestricted cash	\$ 11,432	\$ 27,060
Accounts receivable	6,926	4,946
Deposit	210	210
Total current assets	18,568	32,216
Property, plant and equipment		
Land	554	554
Office & Storage Buildings	48,434	48,434
Water distribution system	340,665	284,789
Equipment	20,100	20,100
	409,753	353,877
Less accumulated depreciation	(122,555)	(118,941)
Net property, plant and equipment	287,198	234,936
Total assets	\$ 305,766	\$ 267,152

See accompanying notes and accountants' report.

Central Water System, Inc.
 Statements of Financial Position
 August 31, 2004 and 2003
 (Unaudited)

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
<i>Current liabilities</i>		
Accounts payable	\$ 749	\$ 588
Notes payable due in one year	12,934	11,942
Meter deposits	<u>2,963</u>	<u>2,988</u>
Total current liabilities	<u>16,646</u>	<u>15,518</u>
 <i>Long-term liabilities</i>		
Notes payable - Community Resource	26,409	9,980
Notes payable - USDA	<u>95,503</u>	<u>101,302</u>
Total long-term liabilities	<u>121,912</u>	<u>111,282</u>
 Total liabilities	 <u>138,558</u>	 <u>126,800</u>
 <i>Net assets</i>		
Unrestricted	<u>167,208</u>	<u>140,352</u>
 Total liabilities and net assets	 <u>\$ 305,766</u>	 <u>\$ 267,152</u>

See accompanying notes and accountants' report.

Bistineau Water System, Inc.
 Statements of Activities
 Years Ended August 31, 2004 and 2003
 (Unaudited)

	2004	2003
Unrestricted net assets		
Revenues		
Water sales & connection fees	\$ 54,757	\$ 60,126
Interest Income	<u>4</u>	<u>7</u>
Total unrestricted revenue	<u>54,761</u>	<u>60,133</u>
Expenses		
Program services		
Utilities	6,814	7,523
Materials & repairs	<u>3,068</u>	<u>3,029</u>
Total program services	<u>9,882</u>	<u>10,552</u>
Supporting services		
Contract labor	22,185	23,100
Insurance	4,572	7,896
Interest	8,644	8,146
Depreciation	3,615	1,241
Office expenses	2,717	5,011
Professional fees	895	4,338
Travel	1,220	2,220
All other	<u>1,334</u>	<u>730</u>
Total supporting services	<u>45,182</u>	<u>52,682</u>
Total expenses	<u>55,064</u>	<u>63,234</u>
Increase in unrestricted assets	<u>(303)</u>	<u>(3,101)</u>
Temporarily restricted net assets		
Grants from Louisiana Division of Administration	<u>27,159</u>	<u>61,841</u>
Increase in net assets	26,856	58,740
Net assets, beginning of the year	<u>140,352</u>	<u>81,612</u>
Net assets, end of the year	<u>\$ 167,208</u>	<u>\$ 140,352</u>

See accompanying notes and accountants' report.

Bistineau Water System, Inc.
 Statements of Cash Flows
 Years Ended August 31, 2004 and 2003
 (Unaudited)

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,856	\$ 58,740
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	3,615	1,241
(Increase) decrease in operating assets		
Accounts receivable	(1,980)	5,418
Increase (decrease) in operating liabilities		
Accounts payable	<u>161</u>	<u>(381)</u>
Net cash provided (used) by operating activities	<u>28,652</u>	<u>65,018</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(55,876)</u>	<u>(58,647)</u>
Net cash (used) by investing activities	<u>(55,876)</u>	<u>(58,647)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in meter deposits	(26)	718
Proceeds of long-term debt	23,564	16,436
Principal payments on long-term debt	<u>(11,942)</u>	<u>(6,004)</u>
Net cash (used) by financing activities	<u>11,596</u>	<u>11,150</u>
 Net increase (decrease) in cash and cash equivalents	(15,628)	17,521
 Beginning cash and cash equivalents	<u>27,060</u>	<u>9,539</u>
 Ending cash and cash equivalents	<u>\$ 11,432</u>	<u>\$ 27,060</u>

See accompanying notes and accountants' report.

CENTRAL WATER SYSTEM, INC.
Notes to Financial Statements
August 31, 2004

1. Summary of significant accounting policies

Central Water System, Inc., was incorporated under the laws of the State of Louisiana in November 1968. It is a nonprofit corporation organized on a non-stock basis with the primary purpose of constructing, maintaining and operating a rural water system for its members.

The significant accounting policies followed by Central Water System, Inc., (the System) in preparation of the accompanying financial statements are set forth below.

a. Basis of accounting

The accrual basis of accounting is used by the System whereby revenues are recognized when earned and expenses are recognized when incurred.

b. Financial statement presentation

The Central Water System, Inc. adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-for Profit Organizations." Under SFAS No. 117, the Water System is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Water System is required to present a statement of cash flows.

c. Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciation is computed thereon under the straight line method of depreciation based on the estimated useful lives of the individual assets.

d. Cash and cash equivalents

The System considers all cash shown as current assets to be cash and cash equivalents.

2. Accounts receivable

At August 31, 2004, there were 201 metered water customers. Aging of the accounts receivable is as follows:

<u>Days</u>	<u>Amounts</u>
0-30	\$ 5,549
31-60	1,377
61-90	-
Over 90	—
Total	\$ <u>6,926</u>

CENTRAL WATER SYSTEM, INC.
Notes to Financial Statements
August 31, 2004

3. Property, plant and equipment

Following is a summary of property, plant and equipment with related depreciation for the year ended August 31, 2004

	<u>Property, plant & equipment</u>					
	<u>2003</u>			<u>2004</u>		
	Balance <u>9-1-02</u>	(deductions) <u>Additions</u>	Balance <u>8-31-03</u>	(deductions) <u>Additions</u>	Balance <u>8-31-04</u>	
Land	\$ 554	-	554	-	554	
Water system	226,142	58,647	284,789	55,876	340,665	
Buildings	48,434	-	48,434	-	48,434	
Equipment	<u>20,100</u>	<u>-</u>	<u>20,100</u>	<u>-</u>	<u>20,100</u>	
	<u>\$295,230</u>	<u>58,647</u>	<u>353,877</u>	<u>55,876</u>	<u>409,753</u>	

4. Long-term debt

	<u>Current Maturities</u>	<u>Long - term</u>	<u>Total</u>
Line of Credit with Community Resource payable at \$771,45 per month	\$7,135	26,409	33,544
Note payable to Farmers Home Administration, originated 5-5-69, secured by a pledge of water revenues and first lien on the System's real estate and personal property, due in monthly installments of \$362.34 including interest at 5.0% through 2006.	4,094	2,852	6,946
Note payable to Farmers Home administration, originated 12-15-87, secured by a pledge of water revenues and a first lien on the System's real estate and personal property, due in monthly installments of \$610.00 including interest at 6.0% through 2029.	<u>1,705</u>	<u>92,651</u>	<u>94,356</u>
	<u>\$12,934</u>	<u>121,912</u>	<u>134,846</u>

CENTRAL WATER SYSTEM, INC.
Notes to Financial Statements
August 31, 2004

4. Long-term debt - continued

The annual requirements to amortize all debt outstanding as of August 31, 2004, are as follows:

<u>Year ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	12,934	7,991	20,925
2006	12,314	7,170	19,484
2007	10,126	6,451	16,577
2008	10,838	5,740	16,578
2009	3,923	5,170	9,093
Thereafter	<u>84,712</u>	<u>60,260</u>	<u>144,972</u>
Total	<u>\$134,847</u>	<u>92,782</u>	<u>227,629</u>

5. Members of the board of directors at August 31, 2004 were as follows:

Ida Cash, President
P O Box 201
Heflin, LA 71039

Odella Wallace Treasurer
P O Box 14
Dubberly, LA 71024

Sams Mims, Vice Pres.
710 Central School Road
Dubberly, LA 71024

Olivia Tebeieaugh, Secretary
116 Thompson Place
Dubberly, LA 71024

Theodis Jones
5368 Hwy 531
Dubberly, LA 71024

Lamar Lamb
1841 Burson Road
Heflin, LA 71039

Melvin Mims
733 Mims Grocery Road
Dubberly, LA 71024