

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

Financial Statements

Year Ended May 31, 2009

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 2/3/10

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## 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 financial statements of the business-type activities of the Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Government, as of and for the years ended May 31, 2009 and 2008 which collectively comprise the District's basic financial statements as listed in the table of contents. These 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 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 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 the 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 respective financial position of the business-type activities of the Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana as of May 31, 2009 and 2008, and the respective changes in financial position, and cash flows, thereof 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 our report dated August 31, 2009, on our consideration of the Waterworks District No. 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements

and other matters. 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 important for assessing the results of our audit.

Waterworks District No. 5 of the Parish of St. Mary, State of Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kolder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Franklin, Louisiana  
August 31, 2009

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

Comparative Statement of Net Assets  
May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash	\$ 173,547	\$ 54,570
Investments, at fair value	578,399	628,759
Accounts receivable-water billings	107,358	138,692
Other receivables	1,551	1,551
Prepaid expenses	<u>37,331</u>	<u>34,515</u>
Total current assets	<u>898,186</u>	<u>858,087</u>
 <b>Non-current assets</b>		
Deferred charges - unamortized bond issue cost	<u>21,726</u>	<u>25,636</u>
Total non-current assets	<u>21,726</u>	<u>25,636</u>
 <b>Restricted assets</b>		
<b>Meter Deposit Fund:</b>		
Cash	15,805	9,214
Investments, at fair value	102,918	88,228
<b>Sinking Fund for Public Improvement Bonds:</b>		
Cash	262,890	164,024
Investments, at fair value	39,261	39,089
<b>Capital Additions &amp; Contingencies Fund</b>		
Cash	27,949	3,429
Investments, at fair value	<u>147,024</u>	<u>196,218</u>
Total restricted assets	<u>595,847</u>	<u>500,202</u>
 <b>Waterworks system, plant and equipment</b> (net of accumulated depreciation)	 <u>4,676,282</u>	 <u>4,808,121</u>
  Total assets	  <u>\$6,192,041</u>	  <u>\$6,192,046</u>

<u>LIABILITIES AND FUND EQUITY</u>	<u>2009</u>	<u>2008</u>
Current liabilities		
Payable from current assets		
Accounts payable	\$ 26,021	\$ 13,135
Accrued expense	6,544	6,537
Total payable from current assets	<u>32,565</u>	<u>19,672</u>
Payable from restricted assets		
Sinking Fund for Public Improvement Bonds:		
Bonds payable within one year (less current portion of deferred amount on refunding of \$7,255)	191,745	180,745
Interest payable	17,189	21,858
Water meter deposits	104,003	97,442
Total payable from restricted assets	<u>312,937</u>	<u>300,045</u>
Total current liabilities	345,502	319,717
Long-term liabilities		
Bonds payable (net of current portion of bonds payable and noncurrent portion of deferred amount on refunding of \$72,550)	1,554,450	1,746,195
Total liabilities	<u>1,899,952</u>	<u>2,065,912</u>
Net assets		
Investments in capital assets, net of related debt	2,912,898	2,859,323
Restricted	491,844	402,760
Unrestricted	887,347	864,051
Total retained earnings	<u>4,292,089</u>	<u>4,126,134</u>
Total liabilities and net assets	<u>\$6,192,041</u>	<u>\$6,192,046</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
Charges for services:		
Water sales	\$ 632,995	\$ 724,919
Service fees	39,414	46,672
Late payment fees	12,661	17,337
Collection fees	15,022	15,737
Intergovernmental - St. Mary Parish Government	-	17,000
Intergovernmental - United States Government	<u>41,671</u>	<u>-</u>
Total operating revenues	<u>741,763</u>	<u>821,665</u>
Operating Expenses		
Personal services and related benefits	454,731	442,190
Supplies and materials	145,348	119,754
Other services and charges	297,091	340,254
Depreciation	<u>262,074</u>	<u>260,272</u>
Total operating expenses	<u>1,159,244</u>	<u>1,162,470</u>
Loss from operations	<u>(417,481)</u>	<u>(340,805)</u>
Non-operating revenues (expenses)		
Ad valorem taxes - maintenance	297,968	267,615
Ad valorem taxes- debt retirement	332,746	292,846
State revenue sharing	8,989	8,886
Investment income	15,513	42,601
Miscellaneous income	13,941	12,000
Bond interest	<u>(85,721)</u>	<u>(99,999)</u>
Total non-operating revenues (expenses)	<u>583,436</u>	<u>523,949</u>
Income before contributions	165,955	183,144
Capital contributions	<u>-</u>	<u>-</u>
Change in net assets	165,955	183,144
Net assets, beginning of year	<u>4,126,134</u>	<u>3,942,990</u>
Net assets, end of year	<u>\$4,292,089</u>	<u>\$4,126,134</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 779,658	\$ 790,727
Payments to suppliers for goods and services	(428,770)	(426,318)
Payments to employees for services	<u>(454,413)</u>	<u>(442,054)</u>
Net cash used by operating activities	<u>(103,525)</u>	<u>(77,645)</u>
Cash flows from noncapital financing activities		
Ad-valorem taxes	630,714	560,461
State revenue sharing	8,989	8,886
Miscellaneous income	<u>13,941</u>	<u>12,000</u>
Net cash provided by noncapital financing activities	<u>653,644</u>	<u>581,347</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(130,237)	(19,190)
Interest received on restricted funds	6,845	17,775
Principal paid on general obligation bonds	(188,000)	(183,000)
Interest paid on general obligation bonds	<u>(83,135)</u>	<u>(92,041)</u>
Net cash flows used by capital and related financing activities	<u>(394,527)</u>	<u>(276,456)</u>
Cash flows from investing activities		
Purchase of investments	(317,221)	(356,039)
Proceeds from sale of investments	401,913	145,401
Interest earned on operating funds	<u>8,670</u>	<u>24,826</u>
Net cash provided (used) by investing activities	<u>93,362</u>	<u>(185,812)</u>
Net increase in cash and cash equivalents	248,954	41,434
Cash and cash equivalents at May 31, 2008 and 2007	<u>231,237</u>	<u>189,803</u>
Cash and cash equivalents at May 31, 2009 and 2008	<u>\$ 480,191</u>	<u>\$ 231,237</u>

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of cash and cash equivalents per the statement of cash flows to the balance sheet:		
Unrestricted	\$ 173,547	\$ 54,570
Restricted - meter deposit	15,805	9,214
Restricted - sinking fund	262,890	164,024
Restricted - capital additions	<u>27,949</u>	<u>3,429</u>
	<u>\$ 480,191</u>	<u>\$ 231,237</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating loss	<u>\$ (417,481)</u>	<u>\$ (340,805)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	262,074	260,272
(Increase) decrease in accounts receivable	31,334	(21,043)
(Increase) decrease in unamortized bond issue costs	3,911	3,911
(Increase) decrease in prepaid expenses	(2,817)	233
Increase (decrease) in accounts payable	12,886	12,546
Increase (decrease) in accrued expenses	7	136
Increase (decrease) in restricted water meter deposits	<u>6,561</u>	<u>7,105</u>
Total adjustments	<u>313,956</u>	<u>263,160</u>
Net cash provided (used) by operating activities	<u>\$ (103,525)</u>	<u>\$ (77,645)</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, 2009

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 Monday at the waterworks district office. The members receive a per diem of \$60 for each meeting attended. At May 31, 2009, there were approximately 1,998 customers receiving service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the St. Mary Parish Waterworks 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 Waterworks District No. 5 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.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

D. BASIS OF ACCOUNTING

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 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 district.

F. CASH, CASH EQUIVALENTS AND INVESTMENTS

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.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

H. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond May 31, 2009, are recorded as prepaid expenses. At May 31, 2009, prepaid expenses were recorded as \$37,331.

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 "capital additions and contingency fund" account is used to report funds set aside and restricted for use in major capital additions and repairs to the waterworks system.

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 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 charged to operations was \$262,074 and \$260,272 for the years ended May 31, 2009 and 2008, 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). There was no capitalized interest recorded in the financial statements in the years ended May 31, 2009 and 2008, respectively.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

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

Under the district's vacation and sick leave policy, 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.

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. NET ASSETS

Restricted net assets represent those portions of net assets legally segregated for a specified future use.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

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, 2009, the district has cash and cash equivalents (book balances) totaling \$330,329 as follows:

Demand deposits	\$ 625
Interest-bearing demand deposits	<u>329,704</u>
	<u>\$330,329</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, 2009, the district has \$597,338 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,093,530 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.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

3. INVESTMENTS

The district can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The district's investments are categorized to give an indication of the level of risk assumed by it at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the district or its agent in the district's name. Category 2 includes uninsured or unregistered investments with securities held by the counterparty's trust department or agent in the district's name. Category 3 includes uninsured or unregistered investments with securities held by the counterparty, or its trust department, but not in the district's name.

In accordance with GASB Codification Section I50.165, the district's investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc.; a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and statewide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost. GASB Statement No. 31 requires that investments that fall within the definitions of said statement be recorded at fair value. However, Statement No. 31 also states that investments in an external investment pool can be reported at amortized cost if the external investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC's) Rule 2-a7. LAMP is an external investment pool that operates in a manner consistent with SEC Rule 2-a7.

At May 31, 2009, the district's investments totaled \$867,602. All of the investments are invested in LAMP. The carrying value of the investment in LAMP is equivalent to fair value.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

4. RECEIVABLES

The district records water sales revenue in the month the services are rendered. At May 31, 2009, accounts receivables were recorded as \$107,358.

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

5. 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, 2008 was 4.62 mills per \$1,000 for maintenance and operations and 5.16 mills per \$1,000 for bond and interest payments. Total taxes levied during the year ended May 31, 2009 was \$675,850.

6. CHANGES IN FIXED ASSETS

The following is a summary of changes in fixed assets:

	Balance May 31, 2008	Additions	Deductions	Balance May 31, 2009
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	16,500	-	-	16,500
Water plant & lines prior to 6-1-75	1,416,224	-	-	1,416,224
New water treatment plant	3,587,837	50,760	-	3,638,597
New water lines and meters	4,038,149	30,004	-	4,068,153
Office building	228,896	-	-	228,896
Furniture & equipment	199,054	49,473	99,866	148,661
Trucks	60,467	-	15,142	45,325
Sub-Total	9,547,127	130,237	115,008	9,562,355
Less accumulated depreciation	<u>(4,739,006)</u>	<u>(262,074)</u>	<u>(115,008)</u>	<u>(4,886,073)</u>
Total	<u>\$ 4,808,121</u>	<u>\$ (131,837)</u>	<u>\$ 0</u>	<u>\$ 4,676,282</u>

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

Notes to the Financial Statements (Continued)  
May 31, 2009

Depreciation expense related to the utilization of fixed assets for the year ended May 31, 2009, is \$262,074.

7. LONG-TERM DEBT

The following is a summary of the district's long-term debt transactions for the year ended May 31, 2009:

	Public Improvement Bonds
Bonds payable at June 1, 2008	\$ 2,014,000
Bonds issued	-
Bonds matured	(188,000)
Bonds advance refunded	-
Bonds payable at May 31, 2009	\$ 1,826,000

Bonds payable at May 31, 2009 are comprised of the following individual issues:

Revenue bonds outstanding:

\$495,000 Public Improvement Bonds, dated June 1, 1999, final maturity date April 1, 2010, interest rate 4.85%	\$ 65,000
\$1,900,000 Public Improvement Bonds, dated March 1, 2000, final maturity March 1, 2010, interest rate 5.80% to 6.30%	95,000
\$500,000 Water Improvement Bonds, dated November 1, 2004, made up of two components: (A) \$75,000 from the Louisiana Public Facilities Authority, bearing no interest, final maturity date November 1, 2009; (B) \$425,000 Water Improvement Bonds bearing interest at 4.50% per annum, final maturity date November 1, 2019.	391,000
\$1,305,000 Public Improvement Refunding Bonds, dated July 6, 2006, final maturity date March 1, 2020, interest rate 4.33%	1,275,000
	1,826,000
Less: deferred amount on refunding	(79,805)
Net revenue bonds	\$1,746,195

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

Notes to the Financial Statements (Continued)  
May 31, 2009

7. LONG-TERM DEBT (Continued)

The following is a schedule of future debt service requirements including interest of \$493,561 at May 31, 2009:

<u>Year</u>	<u>Amount</u>
2010	280,085
2011	205,065
2012	206,213
2013	207,055
2014	206,636
2015-2019	1,012,032
2020	<u>202,475</u>
Total	<u>\$2,319,561</u>

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 \$85,721.

8. METER DEPOSITS

As authorized under Louisiana Revised Statutes, funds totaling to \$118,723 have been restricted in the Meter Deposit Fund for the purchase of water meters.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

9. PENSION PLAN

*Plan Description.* Substantially all employees of the St. Mary Parish Waterworks District No. 5 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 6.25 percent of annual covered payroll.

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, 2009, 2008, and 2007 were \$20,034, \$19,040, and \$17,968, respectively, equal to the required contributions for each year.

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

Notes to the Financial Statements (Continued)  
May 31, 2009

10. LEASES

The district had no material capital or operating leases at May 31, 2009.

11. LITIGATION

There is no litigation pending against the district at May 31, 2009.

12. 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	\$ 132,189
Columbian Chemical Corporation	<u>113,064</u>
Total	<u>\$ 245,253</u>

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

Supplemental Information Schedules  
For the Year Ended May 31, 2009

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, 2009 and 2008 (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, 3, 4 and 5)

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 Waterworks District No. 5 pays per diem of \$60 per meeting. (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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating expenses		
Personal Services		
Salaries	\$ 332,039	\$ 323,182
Hospitalization insurance	69,092	65,000
Payroll taxes	24,612	24,074
Retirement	20,034	19,040
Administrative charges from Sewerage District No. 5	<u>8,954</u>	<u>10,894</u>
Total personal services	<u>454,731</u>	<u>442,190</u>
Supplies and materials		
Chemicals	123,356	105,139
Office expense	14,734	8,793
Postage	<u>7,258</u>	<u>5,822</u>
Total supplies and materials	<u>145,348</u>	<u>119,754</u>
Other service and charges		
Accounting fees	10,054	6,300
Backflow prevention program	1,740	3,707
Board meetings	7,260	5,820
Dues and subscriptions	215	470
Education	4,720	1,793
Insurance-general	65,230	59,609
Maintenance-water system	39,559	74,804
Maintenance-water plant	21,999	26,431
Miscellaneous	3,862	3,549
Professional fees (bond cost)	11,768	11,767
Professional fees (engineering)	-	3,847
Truck maintenance	13,666	12,301
Utilities	<u>117,018</u>	<u>129,856</u>
Total other services and charges	<u>297,091</u>	<u>340,254</u>
Depreciation	<u>262,074</u>	<u>260,272</u>
Total operating expenses	<u>\$1,159,244</u>	<u>\$1,162,470</u>

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

May 31, 2009

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>	
2010	R-11	\$ 65,000	\$ 1,576	\$ 66,576	\$ -

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, 2009

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>	
2010	R-9	\$ 95,000	\$ 5,985	\$ 100,985	-

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.

The portion of the bonds maturing after March 1, 2010 was advance refunded by the \$1,305,000 Public Improvement Refunding Bonds, dated July 6, 2006.

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

May 31, 2009

Bonded Indebtedness  
General Obligation Bonds  
Dated November 1, 2004

Maturity	Bond Numbers	Yearly Payments			Bonds Outstanding
		Principal	Interest	Total	
2010	R-5	\$ 14,000	\$ 16,605	\$ 30,605	\$ 377,000
	R-5A	15,000	-	15,000	362,000
2011	R-6	29,000	15,638	44,638	333,000
2012	R-7	31,000	14,288	45,288	302,000
2013	R-8	32,000	12,870	44,870	270,000
2014	R-9	34,000	11,385	45,385	236,000
2015	R-10	35,000	9,833	44,833	201,000
2016	R-11	37,000	8,213	45,213	164,000
2017	R-12	38,000	6,525	44,525	126,000
2018	R-13	40,000	4,770	44,770	86,000
2019	R-14	42,000	2,925	44,925	44,000
2020	R-15	44,000	990	44,990	-
		<u>\$ 391,000</u>	<u>\$ 104,042</u>	<u>\$ 495,042</u>	

Original issue dated November 1, 2004 for \$500,000.

Paying Agent: Patterson State Bank, Patterson, 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.

Repayment shall be made from the revenues derived from the operations of the waterworks system in excess of statutory, necessary and usual charges to operate the system.

The bonds shall be callable for redemption in full, or in part, at any time on or after November 1, 2011.

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

May 31, 2009

Bonded Indebtedness  
Public Improvement Refunding Bonds  
Dated July 6, 2006

Maturity	Bond Numbers	Yearly Payments			Bonds Outstanding
		Principal	Interest	Total	
2010	R-4	\$ 10,000	\$ 55,208	\$ 65,208	\$1,265,000
2011	R-5	105,000	54,775	159,775	1,160,000
2012	R-6	110,000	50,228	160,228	1,050,000
2013	R-7	115,000	45,465	160,465	935,000
2014	R-8	120,000	40,486	160,486	815,000
2015	R-9	125,000	35,290	160,290	690,000
2016	R-10	130,000	29,877	159,877	560,000
2017	R-11	135,000	24,248	159,248	425,000
2018	R-12	135,000	18,403	153,403	290,000
2019	R-13	140,000	12,557	152,557	150,000
2020	R-14	150,000	6,495	156,495	-
		<u>\$1,275,000</u>	<u>\$ 373,032</u>	<u>\$1,648,032</u>	

Original issue dated July 6, 2006 for \$1,305,000.

Paying Agent: Patterson State Bank, Patterson, Louisiana.

This obligation was incurred for the purpose of advance refunding \$1,220,000 of outstanding Public Improvement Bonds, Dated March 1, 2000, maturing March 1, 2011 through March 1, 2020. The net proceeds of \$1,286,698 (after payment of \$18,302 in issuance costs) plus an additional \$17,008 of cash provided by the district was used to advance refund a portion of the Series 2000 bonds.

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.

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, 2009

<u>Board Member</u>	<u>Meetings Attended</u>	<u>Amount</u>
Jack Benedetto	14	\$ 840
Wendell Bogan	16	960
David Franklin	15	900
Donald Hahn	16	960
William Lanclos, Jr	17	1,020
Garland Romero	<u>15</u>	<u>900</u>
Total	93	5,580
Jamie Miller (Superintendent)	14	840
Becky Soprano (Secretary)	<u>14</u>	<u>840</u>
Total per diem	<u>121</u>	<u>\$7,260</u>

**INTERNAL CONTROL, COMPLIANCE, AND OTHER INFORMATION**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

To the Board of Commissioners 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 (hereinafter, "District"), as of and for the year ended May 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 31, 2009. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's board, the St. Mary Parish Government, the Louisiana Legislative Auditor, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Holder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Franklin, Louisiana  
August 31, 2009

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, 2009

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements

Section II - Management Letter

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

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

Schedule of Findings and Questioned Costs  
For the Year Ended May 31, 2009

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on the District's financial statements as of and for the year ended May 31, 2009.

Reportable Conditions – Financial Statements

There were no significant deficiencies in internal control over financial reporting disclosed during the audit of the financial statements.

Material Noncompliance – Financial Statements

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended May 31, 2009.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

There were no findings noted.

Part III Findings and Questioned Costs Relating to Federal Programs

At May 31, 2009, the District did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore, this section is not applicable.