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BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS

December 31, 2005

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 6-21-06

BAYOU LAFOURCHE FRESH WATER DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Bayou Lafourche Fresh Water District
Thibodaux, Louisiana

We have audited the accompanying basic financial statements of the governmental activities of the Bayou Lafourche Fresh Water District (The District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 governmental activities of the Bayou Lafourche Fresh Water District, as of December 31, 2005, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 9 and page 25 through 26 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2006 on our consideration of the Bayou Lafourche Fresh Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Bayou Lafourche Fresh Water District. The schedule of per diem is presented for additional analysis and is not a required part of the basic financial statements. The schedule of per diem 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.

Waggoner + Galluf, LLC

February 27, 2006

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Our discussion and analysis of the financial performance of the Bayou Lafourche Fresh Water District (the District) provides an overview of the District's financial activities for the fiscal year that ended December 31, 2005. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$91,722 or 4%.

The District's total revenues were \$1,371,318 for a decrease of 6%.

During the fiscal year ending December 31, 2005, the District had total expenses, excluding depreciation, of \$1,170,513.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

BAYOU LAFOURCHE FRESH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

Figure A-1
Major Features of the Bayou Lafourche Fresh Water District's Government and Fund Financial Statements

	Fund Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire government	The activities of the District
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received or have otherwise been incurred.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health, or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and factors that affect water supply for sales to the surrounding parishes.

The government-wide financial statements of the District include:

- Governmental activities—most of the District's basic services are included here. Property taxes and water sales finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The District has one type of fund:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

FINANCIAL ANALYSIS OF THE BAYOU LAFOURCHE FRESH WATER DISTRICT AS A WHOLE

Net assets. The District's net assets increased between fiscal years 2004 and 2005 to approximately \$2.58 million. (See Table A-1.)

Table A-1			
Bayou Lafourche Fresh Water District's Net Assets			
	Governmental Activities		
	2005		2004
Current and other assets	\$1,842,798		\$1,837,584
Capital assets	1,079,114		1,027,029
Total assets	2,921,912		2,864,613
Accounts payable and accrued expenditures	153,186		147,609
Certificates of Indebtedness	185,000		225,000
Total liabilities	\$338,186		\$372,609
Net assets			
Invested in capital assets, net of related debt	894,114		802,029
Restricted for special projects	7,563		17,449
Unrestricted	1,682,049		1,672,526
Total net assets	\$2,583,726		\$2,492,004

Net assets of the District's governmental activities increased 4 percent to approximately \$2.58 million.

Changes in net assets. The District's total revenues decreased by 6 percent to \$1,371,318 (See Table A-2). This decrease is primarily due to slow collection of property taxes in Fourchon area due to hurricane damage.

The total cost of all expenses increased approximately \$96,678 or 8 percent, due to increases in payroll and increases in utilities.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Governmental Activities

Table A-2		
Changes in Bayou Lafourche Fresh Water District's Net Assets		
	Governmental Activities	
	2005	2004
Revenues		
Program revenues		
Charges for services	\$ 305,261	\$ 276,698
General revenues		
Assessment District	978,568	1,083,763
Revenue Sharing	53,762	53,282
Interest	30,691	10,714
Federal Grants	5,507	26,700
Other	(2,471)	930
Total revenues	1,371,318	1,452,087
Expenses		
Personnel	616,692	565,816
Other Operating	662,904	617,102
Total expenses	1,279,596	1,182,918
Increase in net assets	\$ 91,722	\$ 269,169

FINANCIAL ANALYSIS OF THE FUNDS

As the District completed the year, its governmental funds reported a fund balance of \$ 1.718 million, a decrease from last year of approximately \$3,957 or .23 percent.

General Fund Budgetary Highlights

- Over the course of the year, the District revised its budget to reflect a \$248,900 increase in expenditures. This was due to the anticipated construction cost of the new facility.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the District had invested \$1,079,114 in capital assets. (See Table A-3.)

Table A-3
Bayou Lafourche Fresh Water District's Capital Assets
(net of depreciation)

	Governmental Activities	
	2005	2004
Land and Buildings	\$1,890,437	\$1,611,024
Furniture and Equipment	1,400,176	1,412,369
Vehicles	110,116	128,711
Construction in Progress	-	137,245
Accumulated Depreciation	(2,321,615)	(2,262,320)
Net Capital Assets	\$ 1,079,114	\$ 1,027,029

Debt

During 2005, the District retired certificates of indebtedness in the amount of \$40,000, leaving a balance of \$185,000. More detailed information regarding these certificates is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is dependent on property tax collections for approximately 71.4 percent of its revenues and water sales for approximately 22 percent of its revenues. The economy is not expected to generate any significant growth. Therefore, the District's general fund future revenues and expenditures are expected to be consistent with the current years.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Archie Chaisson, Jr., Director, 1018 St. Mary Street, Thibodaux, Louisiana 70301.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 939,513
Receivables:	
Ad valorem taxes	839,680
State revenue sharing	18,033
Water Sales	37,482
Other	8,090
Total current assets	<u>1,842,798</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>1,079,114</u>
---	------------------

Total assets 2,921,912

LIABILITIES

Current liabilities:

Accounts payable and accrued expenditures	126,917
Current portion of long term debt	44,000
Total current liabilities	<u>170,917</u>

Noncurrent liabilities:

Accrued absences	26,269
Long term debt payable	141,000
	<u>167,269</u>

Total liabilities 338,186

NET ASSETS

Invested in capital assets, net of related debt	894,114
Restricted for special projects	7,563
Unrestricted	1,682,049
	<u>1,682,049</u>
Total net assets	<u>\$ 2,583,726</u>

The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Governmental Unit</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 1,279,596	\$ 305,261	\$ (974,335)
Total governmental activities	<u>1,279,596</u>	<u>305,261</u>	<u>(974,335)</u>
General Revenues:			
Compensation from assessment district			978,568
Interest			30,691
State revenue sharing			53,762
Loss on fixed asset disposals			(3,400)
Federal Grants			5,507
Miscellaneous Income			<u>929</u>
Total general revenues			<u>1,066,057</u>
Change in net assets			91,722
Net assets - January 1, 2005			<u>2,492,004</u>
Net assets - December 31, 2005			<u>\$ 2,583,726</u>

The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 3

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>2005</u>	<u>2004</u>
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 931,950	\$ 7,563	\$ 939,513	\$ 830,981
Investments	-	-	-	-
Receivables:				
Ad valorem taxes, net	839,680	-	839,680	961,652
State revenue sharing	18,033	-	18,033	15,566
Water sales	37,482	-	37,482	28,840
Interest receivable	8,090	-	8,090	545
Total Assets and Other Debits	<u>\$ 1,835,235</u>	<u>\$ 7,563</u>	<u>1,842,798</u>	<u>1,837,584</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 77,766	\$ -	\$ 77,766	\$ 72,307
Accrued Payroll	18,492	-	18,492	18,073
Compensated absences payable	28,526	-	28,526	25,233
Total Liabilities	<u>124,784</u>	<u>-</u>	<u>124,784</u>	<u>115,613</u>
Equity and other credits:				
Fund balances:				
Unreserved - undesignated	1,710,451	-	1,710,451	1,704,522
Reserve for special projects	-	7,563	7,563	17,449
Total Equity and Other Credits	<u>1,710,451</u>	<u>7,563</u>	<u>1,718,014</u>	<u>1,721,971</u>
Total Liabilities, Equity, and Other Credits	<u>\$ 1,835,235</u>	<u>\$ 7,563</u>	<u>\$ 1,842,798</u>	<u>\$ 1,837,584</u>

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total fund balances - Governmental Funds		\$ 1,718,014
Add: cost of capital assets at December 31, 2005	\$ 3,400,729	
Less: accumulated depreciation as of December 31, 2005	(2,321,615)	
Less: accrued long term compensated absences as of December 31, 2005	(26,269)	
Less: certificates of indebtedness payable as of December 31, 2005	(185,000)	
Less: accrued interest payable as of December 31, 2005	<u>(2,133)</u>	<u>865,712</u>
Total net assets at December 31, 2005 - Governmental Activities		<u>\$ 2,583,726</u>

The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 5

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2004**

	GENERAL	SPECIAL REVENUE	TOTALS (MEMORANDUM ONLY)	
			2005	2004
REVENUES				
Ad Valorem Taxes Revenue	978,568	-	978,568	1,083,763
Intergovernmental Revenues:				
State Revenue Sharing	53,762	-	53,762	53,282
Federal Grants	5,507	-	5,507	26,700
Water Sales	305,261	-	305,261	276,698
Interest income	30,691	-	30,691	10,714
Sale of Fixed Assets	4,557	-	4,557	930
Miscellaneous Income	929	-	929	-
Total Revenues	1,379,275	-	1,379,275	1,452,087
EXPENDITURES				
Salaries	452,520	-	452,520	419,923
Payroll Taxes	34,484	-	34,484	32,381
Group Insurance Expense	112,397	-	112,397	93,081
Retirement Expense	23,018	-	23,018	20,431
Ad val deduction for pension	36,011	-	36,011	36,012
Materials & supplies	17,503	-	17,503	12,726
Repairs & maintenance	19,714	9,886	29,600	83,841
Fuel & lube	17,694	-	17,694	8,887
Accounting fees	3,900	-	3,900	4,800
Computer expense	1,196	-	1,196	1,308
Dues & Subscriptions	114	-	114	152
Engineering Fees	5,548	-	5,548	28,395
Insurance - General	183,788	-	183,788	175,460
Interest expense	7,913	-	7,913	-
Legal Publication	1,604	-	1,604	1,414
Medical Expenses	561	-	561	-
Mileage & Travel	944	-	944	711
Office Expense	13,277	-	13,277	6,109
Telephone	11,122	-	11,122	11,300
Legal Fees	4,367	-	4,367	6,084
Utilities	212,822	-	212,822	149,463
Miscellaneous expense	3,726	-	3,726	9,831
Capital outlay:				
Equipment & vehicle	26,955	-	26,955	26,832
Buildings	142,168	-	142,168	113,818
Total Expenditures	1,333,346	9,886	1,343,232	1,242,959
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	45,929	(9,886)	36,043	209,128
OTHER FINANCING SOURCES/(USES):				
Issuance of Debt				225,000
Retirement of Debt	(40,000)	-	(40,000)	-
Total Other Financing Sources/(Uses)	(40,000)	-	(40,000)	225,000
CHANGES IN FUND BALANCES	5,929	(9,886)	(3,957)	434,128
FUND BALANCE AT BEGINNING OF YEAR	1,704,522	17,449	1,721,971	1,287,843
FUND BALANCE AT END OF YEAR	1,710,451	7,563	1,718,014	1,721,971

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 6

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2005

Net Change in Governmental Fund Balances		\$ (3,957)
Capital Assets:		
Capital outlay capitalized	\$ 169,124	
Depreciation expense for year ended December 31, 2005	(109,083)	
Retirement of Debt	40,000	
Decrease in accrued absences	5,729	
Increase in accrued interest	(2,133)	
Sales of fixed assets	(7,958)	<u>95,679</u>
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Net Assets - Governmental Activities		<u>\$ 91,722</u>

The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

INTRODUCTION

The Bayou Lafourche Fresh Water District (the District) was created under Act 113 of 1950, of the Louisiana Legislature, for the purpose of furnishing fresh water from the Mississippi River to the incorporated villages, towns, and cities along Bayou Lafourche. The District is governed by a board of six commissioners appointed for terms of four years. The parish governments of Ascension and Assumption appoint three of six commissioners, and the governor of Louisiana appoints the remaining three commissioners.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying basic financial statements of the Bayou Lafourche Fresh Water District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The following is a summary of the Bayou Lafourche Fresh Water District's significant policies:

Financial Reporting Entity

Under Governmental Accounting and Financial Standards Section 2100, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relations with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the primary government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the primary government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
2. Organization for which the primary government does not appoint a voting majority but are fiscally dependent of the primary government.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Based on this criteria, management has determined that the Bayou Lafourche Fresh Water District is not considered a component unit of any other reporting entity. The District is a separate reporting entity because:

1. The District is a separate legal entity, and not a part of any other governmental entity.
2. Other governmental entities do not have the ability to impose their will on the District.
3. The District is not fiscally dependent on other governmental entities, nor is the District a significant financial burden to any other governmental entity.

This report includes all funds which are controlled by the Bayou Lafourche Fresh Water District. The district is not included in any other governmental "reporting entity" as defined by the GASB pronouncement.

Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The District has two funds, which are classified as governmental funds. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental funds of the District include:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund of the District is used to account for federal grant monies received from the United States Department of Commerce which are used for the maintenance of a control structure to prevent the flow of saltwater into Bayou Lafourche. During the end of fiscal 2003, the District entered into an intergovernmental cooperative endeavor agreement to transfer ownership of the saltwater control structure to Lafourche Parish. Per the agreement, the District will continue the responsibility of operating the aforementioned saltwater control structure, as well as, provide the necessary repairs and maintenance.

Basis of Accounting / Measurement Focus

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB No. 33, *Accounting and Financial Reporting for Non-exchange transactions*.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Program Revenues

Program revenues included in the Statement of Activities derive directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the District's general revenues.

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental Funds are accounted for on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become measurable and available to pay current period liabilities. The District considers ad valorem tax revenues available if they are collected within 30 days after the fiscal year end. All other revenues are available when earned. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures.

Revenues

Revenue is recorded when received or accrued when it becomes both measurable and available for current expenditures. Only revenue received within thirty days of the close of the current fiscal year is considered receivable and is recorded in the current year. Ad valorem taxes are assessed on a calendar year basis, become due November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year. The revenue collected by the sheriffs of the parishes involved are transmitted to the District.

Water sales are recorded when earned.

Interest income on time deposits is recorded when earned.

All other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgets

Annually, the Board of Commissioners of the District adopts a detailed budget for the general fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

Encumbrances

The district does not use encumbrance accounting.

Cash, Cash Equivalents, and Investments

The district has deposits in a checking account and a money market account at a local financial institution. The District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana or any other state in the United States. The District may also invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 40 years.

Total Columns on Statements

The total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE B - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2005, are as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 45,783	\$ -	\$ -	\$ 45,783
Building and Improvements	1,565,241	279,413	-	1,844,654
Furniture and Equipment	1,412,369	26,955	39,148	1,400,176
Vehicles	128,711	-	18,595	110,116
Construction in Progress	<u>137,245</u>	<u>142,168</u>	<u>279,413</u>	<u>-</u>
Total Cost	3,289,349	448,536	337,156	3,400,729
Less Accumulated Depreciation:				
Building and Improvements	1,506,182	26,539	-	1,532,721
Furniture and Equipment	678,057	62,781	31,193	709,645
Vehicles	<u>78,081</u>	<u>19,763</u>	<u>18,595</u>	<u>79,249</u>
Total Accumulated Depreciation	2,262,320	109,083	49,788	2,321,615
Governmental Activities Capital Assets, Net	<u>\$ 1,027,029</u>	<u>\$ 339,453</u>	<u>\$ 287,368</u>	<u>\$ 1,079,114</u>

For the year ended December 31, 2005, depreciation expense was \$109,083.

NOTE C - LEVIED TAXES

Maintenance taxes attach as enforceable liens on property as of January 1 of each year. Taxes are levied by the parishes in November and are actually billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

In 2005, the District was authorized to levy up to 2.11 mills in ad valorem taxes. A 2.11 mills ad valorem tax was levied for the year ended December 31, 2005. This assessment is made on real property and business personal properties located in part of Ascension Parish and within the boundaries of Assumption and Lafourche Parishes. The District records as a receivable the total ad valorem taxes collected within thirty days of the close of the current fiscal year less the deduction for pension. An Allowance for Doubtful Accounts is not recorded by the District because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

NOTE D - CASH AND CASH EQUIVALENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana or any other federally insured investment.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE D – CASH AND CASH EQUIVALENTS-Continued

State law required deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agent but not in the District's name and deposits which are uninsured or uncollateralized.

The year end balances of deposits are as follows:

	Bank Balances			Book Balance	Market Value
	1	Category 2	3		
Cash	\$ 100,000	\$ -	\$ 841,379	\$ 939,513	\$ 939,513
Totals	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 841,379</u>	<u>\$ 939,513</u>	<u>\$ 939,513</u>

At December 31, 2005, deposits in excess of FDIC insurance were collateralized by securities held by an unaffiliated bank for the account for the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for the accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized 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 depositor that the fiscal agent has failed to pay deposited funds upon demand.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE E – COMPENSATED ABSENCES

The District employees accumulate an unlimited amount of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The cost of leave privileges are computed in accordance with GASB Codification Section C60. An estimate of the leave privileges requiring current resources is accrued in the General Fund. The District records the long term portion of accrued leave in the GWFS. As of December 31, 2005, the District accrued \$54,795 in compensated absences as follows:

Current Portion	\$28,526
Long Term Portion	<u>26,269</u>
	\$54,795

The current portion of this obligation is reflected in accrued expenditures in the Statement of Net Assets.

NOTE F – LONG –TERM DEBT

Contractual Obligations:

Contractual obligations of the District include notes having been made by a resolution of the board, pursuant of Section 742.2 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority. Such obligations were utilized to finance the acquiring, constructing, and improving the facilities of the District. Repayments of principal and interest on these obligations are accounted for in the General Fund.

Contractual obligations outstanding as of December 31, 2005 are as follows:

Description	Interest Rate	Final Maturity	Amount of Original Issue	Amount Outstanding
Certificate of Indebtedness, Series 2004	3.45%	2009	\$ 225,000	185,000

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE F – LONG –TERM DEBT - Continued

The debt service requirements on the above contractual obligations are as follows:

<u>Due Fiscal Year</u> <u>Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 44,000	\$ 5,624	\$ 49,624
2007	45,000	4,088	49,088
2008	47,000	2,501	49,501
2009	49,000	845	49,845
	<u>\$ 185,000</u>	<u>\$ 13,058</u>	<u>\$ 198,058</u>

NOTE G – PENSION PLAN

Substantially all employees of the Bayou Lafourche Fresh Water District are members of the Parochial Employees Retirement System of Louisiana (the 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 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 per cent of their final-average salary in excess of \$100 for each year of creditable service. Further, 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 per cent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed the lesser of 100 per cent 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 by state statute.

Under Plan B, employees may elect to enter into the Deferred Retirement Option Plan (DROP). DROP is an option for those members who are eligible for normal retirement. Employees age 62 and above with 10 years of creditable service are eligible for the plan. The plan allows the pension benefit that is accrued at the time of entry into DROP to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement. The pension benefit is calculated as if the member were actually retiring. This DROP is deposited to a DROP account with the retirement system for a period not to exceed three years. The participant continues to work during this period of time. Employee contributions cease but employer contributions continue. At the end of the DROP period and upon termination of employment, the sum of the DROP account is paid out and the retiree begins receiving that same benefit directly as the retirement benefit.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE G – PENSION PLAN-Continued

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 (225) 928-1361.

Under Plan B, members are required by state statute to contribute 3% of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 5.75% of annual covered payroll. Contributions to the System include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. 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 R.S. 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 contribution to the System under Plan B for the years ending December 31, 2005, 2004, and 2003, were \$23,018, \$20,431, and \$14,755, and respectively, equal to the required contributions each year.

NOTE H- LEASES

The board had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

NOTE I – DEFERRED COMPENSATION PLAN

Some employees of the Bayou Lafourche Water District contribute to the State of Louisiana Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees, permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE J - LITIGATION AND CLAIMS

The District is involved in litigation at December 31, 2005. In the opinion of management and legal counsel, the District has adequate legal defenses for the issues raised and the outcome of these matters will not have a significant effect on the District's financial position at December 31, 2005.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 7

BUDGETARY COMPARISON SCHEDULE - GENERAL AND SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND			SPECIAL REVENUE FUND				
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES								
Ad Valorem Taxes	\$ 1,100,000	\$ 1,100,000	\$ 978,568	\$ (121,432)	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues:								
State Revenue Sharing	40,000	40,000	53,762	13,762	-	-	-	-
Federal Grants	-	-	5,507	5,507	-	-	-	-
Water Sales	269,000	269,000	305,261	36,261	-	-	-	-
Interest Income	10,000	10,000	30,691	20,691	-	-	-	-
Sale of Equipment	-	-	4,557	4,557	-	-	-	-
Miscellaneous Income	-	-	929	929	-	-	-	-
Total Revenues	1,419,000	1,419,000	1,379,275	(39,725)				
EXPENDITURES								
Salaries	439,900	503,900	452,520	51,380	-	-	-	-
Payroll Taxes	35,200	35,200	34,484	716	-	-	-	-
Group Insurance	120,000	120,000	112,397	7,603	-	-	-	-
Retirement Expense	12,000	25,000	23,018	1,982	-	-	-	-
Ad val deduction for pension	35,000	35,000	36,011	(1,011)	-	-	-	-
Materials & supplies	20,000	20,000	17,503	2,497	-	-	-	-
Repairs & maintenance	50,000	50,000	19,714	30,286	-	11,000	9,886	1,114
Fuel & lube	13,000	18,000	17,694	306	-	-	-	-
Accounting fees	3,000	4,500	3,900	600	-	-	-	-
Computer expense	3,000	3,000	1,196	1,804	-	-	-	-
Dues & Subscriptions	150	150	114	36	-	-	-	-
Engineering Fees	2,000	8,900	5,548	3,352	-	-	-	-
Insurance - General	190,000	190,000	183,788	6,212	-	-	-	-
Interest Expense	-	8,000	7,913	87	-	-	-	-
Legal Publication	2,500	2,500	1,604	896	-	-	-	-
Medical Expense	-	-	561	(561)	-	-	-	-

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 7

BUDGETARY COMPARISON SCHEDULE - GENERAL AND SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND			SPECIAL REVENUE FUND				
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Mileage & Travel	1,000	1,000	944	56	-	-	-	-
Office Expense	5,000	16,000	13,277	2,723	-	-	-	-
Telephone	13,000	13,000	11,122	1,878	-	-	-	-
Legal Fees	4,000	4,000	4,367	(367)	-	-	-	-
Utilities	176,750	201,750	212,822	(11,072)	-	-	-	-
Miscellaneous expense	1,000	5,000	3,726	1,274	-	-	-	-
Capital outlay:								
Equipment & vehicle	20,000	43,500	26,955	16,545	-	-	-	-
Construction costs	148,000	250,000	142,168	107,832	-	-	-	-
Total Expenditures	1,294,500	1,558,400	1,333,346	225,054	-	11,000	9,886	1,114
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	124,500	(139,400)	45,929	185,329	-	(11,000)	(9,886)	1,114
OTHER FINANCING (USES):								
Retirement of Debt	(55,000)	(40,000)	(40,000)	-	-	-	-	-
CHANGES IN FUND BALANCES	69,500	(179,400)	5,929	185,329	-	(11,000)	(9,886)	1,114
FUND BALANCE AT BEGINNING OF YEAR	1,704,522	1,704,522	1,704,522	-	17,449	17,449	17,449	-
FUND BALANCE AT END OF YEAR	\$ 1,774,022	\$ 1,525,122	\$ 1,710,451	\$ 185,329	\$ 17,449	\$ 6,449	\$ 7,563	\$ 1,114

Continued

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Schedule of Per Diems Paid to Board Members
For the Year Ended December 31, 2005

<u>Board Member</u>	<u>Amount</u>
Ron Animashaun	1,050
Alvin Hebert	1,125
Gasper Varvaro	1,050
Gaston Waguespack, Jr.	300
Reggie Melancon	828
Gene Harrell	<u>1,050</u>
Total	<u>\$ 5,403</u>

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS AND OTHER SCHEDULES
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

BAYOU LAFOURCHE FRESH WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule B

For the Year Ended December 31, 2005

A. Summary of Audit Results

- o The auditor's report expresses an unqualified opinion on the basic financial statements of the Bayou Lafourche Fresh Water District.
- o The reportable condition in internal control disclosed during the audit of the basic financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. The condition is reported as a material weakness. (See 2005-1 in part B of this Schedule)
- o The results of our tests disclosed no instances of noncompliance material to the basic financial statements which were required to be reported in the Report On Compliance And Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards.

B. Findings – Financial Statement Audit

2005-1 SEPARATION OF DUTIES

Due to the size of the Bayou Lafourche Fresh Water District's accounting staff, there is an insufficient segregation of duties to have an effective internal control.

Since the cost of an internal control system should not outweigh the benefits derived from it, we can not recommend that additional personnel be added, and have no recommendations to make in this area.

Management of the District concurs with the finding. However, due to staff limitations, no action will be taken at this time.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

INTERNAL CONTROL FINDINGS – Financial Statement Audit

2004-1 SEPARATION OF DUTIES

Condition: Due to the size of the Bayou Lafourche Fresh Water District's accounting staff, there is an insufficient segregation of duties to have an effective internal control.

Current status: This finding still applies and is noted in the current audit for year ending December 31, 2005. (See current finding noted as 2005-1.)

COMPLIANCE FINDINGS – Financial Statement Audit

2004-2 BUDGET AMENDMENTS

Condition: Louisiana Statutes require that the District prepare a proposed budget and amend its operating budget when:

- (1) Total Revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

For the year ended December 31, 2004, the District did not amend revenues in the preparation of its budget for the special revenue fund in accordance with Louisiana Statutes.

Current status: This finding has been corrected. The District properly amended revenues for the year ended December 31, 2005 in accordance with Louisiana Statutes.

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1016 St. Mary Street Thibodaux, LA 70301
Telephone (985) 447-7155 Fax (985) 447-6307
E-mail: blfwd@bellsouth.net

Walter Lemann, Sr. Pump Station
Donaldsonville, Louisiana (225) 473-7539

Schedule D

Corrective Action Plan for
Current Year Audit Findings
For the Year Ended December 31, 2005

<u>Ref No. *</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s) **</u>	<u>Anticipated Completion Date</u>
2005-1	Separation of Duties	Not feasible at this time due to staff and budget limitations.	Archie Chaisson, Jr.	N/A

The above corrective action plan addresses the auditor's current year findings. If you need additional information concerning the corrective action plan, please feel free to contact us.


Archie P. Chaisson, Jr., Director

* Reference number the auditor assigns to the audit finding.

** Name(s) of contact person(s) responsible for corrective action.

Alvin J. Hebert, Chairman * Gasper G. Varvaro, Vice-Chairman
Gene Harrell, Secretary/Treasurer
Ron Animashaun * Donald Arceneaux * Reggie Melancon

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

Board of Commissioners
Bayou Lafourche Fresh Water District
Thibodaux, Louisiana

We have audited the basic financial statements of the Bayou Lafourche Fresh Water District (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated February 27, 2006. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Louisiana Governmental Audit Guide issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

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 basic 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition noted as item 2005-1 to be a material weakness.

This report is intended for the information of the Board of Commissioners, management, the Legislative Auditor and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document.

Wagner + Ballagh, LLC

February 27, 2006