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**LAFAYETTE PARISH WATERWORKS
DISTRICT NORTH**
Lafayette, Louisiana

Financial Report

Years Ended December 31, 2009 and 2008

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.

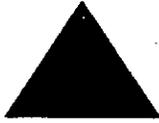
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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

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Kyle P. Saltzman, CPA
Elise B. Fauchaux, CPA

We have audited the accompanying financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (District), a component unit of Lafayette Parish Consolidated Government, as of and for the years ended December 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 District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 and major fund of Lafayette Parish Waterworks District North, as of December 31, 2009 and 2008, and the results of its operations and the cash flows of its proprietary fund type 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 June 25, 2010, on our consideration of the District'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.

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Lafayette Parish Waterworks District North 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 part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lafayette Parish Waterworks District North. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dannall, Sikes, Gaudes & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 25, 2010

BASIC FINANCIAL STATEMENTS

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Net Assets
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash	\$ 1,142,996	\$ 1,155,375
Receivables (net of allowance for uncollectible accounts - \$13,430 and \$5,466, respectively)	307,308	240,598
Prepaid expenses	18,171	18,313
Total current assets	<u>1,468,475</u>	<u>1,414,286</u>
Noncurrent assets:		
Restricted assets:		
Revenue bond and interest sinking account - Interest-bearing deposits	615,866	596,039
Revenue bond reserve account - Interest-bearing deposits	791,739	713,519
Revenue bond contingency account - Interest-bearing deposits	316,850	307,134
Customer deposits - Cash	140,960	130,587
Total restricted assets	<u>1,865,415</u>	<u>1,747,279</u>
Net capital assets	<u>7,305,854</u>	<u>7,608,381</u>
Total noncurrent assets	<u>9,171,269</u>	<u>9,355,660</u>
Total assets	<u>\$ 10,639,744</u>	<u>\$ 10,769,946</u>

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities - (payable from current assets)		
Accounts payable	\$ 62,802	\$ 104,666
Sales tax payable	212	196
Accrued liabilities	4,043	4,016
Payroll liabilities	<u>3,739</u>	<u>7,189</u>
Total current liabilities - (payable from current assets)	<u>70,796</u>	<u>116,067</u>
Current liabilities - (payable from restricted assets)		
Membership deposits	93,029	85,222
Accrued interest payable	53,322	57,339
Revenue bonds payable	<u>210,048</u>	<u>126,397</u>
Total current liabilities - (payable from restricted assets)	<u>356,399</u>	<u>268,958</u>
Total current liabilities	427,195	385,025
Noncurrent liabilities -		
Revenue bonds payable	<u>5,479,222</u>	<u>5,761,857</u>
Total liabilities	<u>5,906,417</u>	<u>6,146,882</u>
Net assets:		
Invested in capital assets, net of related debt	1,826,632	1,846,524
Restricted for debt service	1,461,085	1,432,956
Unrestricted	<u>1,445,610</u>	<u>1,343,584</u>
Total net assets	<u>4,733,327</u>	<u>4,623,064</u>
Total liabilities and net assets	<u>\$ 10,639,744</u>	<u>\$ 10,769,946</u>

The accompanying notes are an integral part of the basic financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Charges for services -		
Water sales and fees	<u>\$2,872,266</u>	<u>\$ 2,856,817</u>
Operating expenses:		
Cost of water sold	1,390,482	1,522,766
Contract labor	2,351	1,894
Professional fees	347,373	311,260
Depreciation expense	350,483	347,006
Amortization expense	4,645	4,645
Bad debt expense	13,430	-
Director fees	4,155	3,480
Insurance expenses	68,619	66,104
Repairs and maintenance	37,023	20,772
Utilities	2,772	2,466
Salaries and related benefits	138,024	163,320
Office expenses and supplies	<u>166,708</u>	<u>200,478</u>
Total operating expenses	<u>2,526,065</u>	<u>2,644,191</u>
Net operating income	<u>346,201</u>	<u>212,626</u>
Nonoperating revenues (expenses):		
Interest and investment income	2,778	41,778
Interest expense	(240,218)	(293,020)
Miscellaneous	<u>1,503</u>	<u>6,701</u>
Total nonoperating expenses	<u>(235,937)</u>	<u>(244,541)</u>
Change in net assets	110,264	(31,915)
Net assets, beginning	<u>4,623,064</u>	<u>4,654,979</u>
Net assets, ending	<u>\$4,733,328</u>	<u>\$ 4,623,064</u>

The accompanying notes are an integral part of the basic financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$2,805,556	\$2,839,245
Payments to suppliers	(2,074,592)	(2,051,082)
Payments to employees	<u>(141,474)</u>	<u>(159,252)</u>
Net cash flows provided from operating activities	<u>589,490</u>	<u>628,911</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Principal paid on bonds	(203,629)	(136,846)
Interest paid on bonds	(244,235)	(277,293)
Acquisition and construction of capital assets	(47,957)	(74,368)
Net increase in membership deposits	7,807	(5,322)
Other receipts	<u>1,503</u>	<u>6,701</u>
Net cash flows used for capital and financing activities	<u>(486,511)</u>	<u>(487,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and investments	<u>2,778</u>	<u>41,778</u>
Net cash flows provided from investing activities	<u>2,778</u>	<u>41,778</u>
Increase in cash and cash equivalents	105,757	183,561
Cash and cash equivalents, beginning of period	<u>2,902,654</u>	<u>2,719,093</u>
Cash and cash equivalents, end of period	<u>\$3,008,411</u>	<u>\$2,902,654</u>

(continued)

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008

	2009	2008
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	346,201	\$ 212,626
Adjustments to reconcile operating income to net cash provided by operating activity:		
Depreciation	350,483	347,006
Amortization	4,645	4,645
Provision for uncollectible accounts	13,430	-
Change in current assets and liabilities -		
Accounts receivable	(80,140)	(17,572)
Inventory	-	5,000
Prepaid expenses	142	4,318
Accounts payable	(41,864)	66,703
Other liabilities	27	2,621
Sales tax payable	16	(504)
Payroll liabilities	(3,450)	4,068
Net cash provided by operating activities	589,490	\$ 628,911
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	1,155,375	1,144,047
Cash - restricted	1,747,279	1,575,046
Total cash and cash equivalents	2,902,654	2,719,093
Cash and cash equivalents, end of period -		
Cash - unrestricted	1,142,996	1,155,375
Cash - restricted	1,865,415	1,747,279
Total cash and cash equivalents	3,008,411	2,902,654
Net increase	105,757	\$ 183,561

The accompanying notes are an integral part of the basic financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Lafayette Parish Waterworks District North (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

The Lafayette Parish Waterworks District North, which is a component unit of Lafayette Parish Consolidated Government, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing potable drinking water to the rural areas of Lafayette Parish. The District is governed by a board of commissioners composed of nine members appointed by Lafayette Parish Consolidated Government. Each board of commissioner serves a four year term and cannot serve more than twelve years.

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Lafayette Parish Consolidated Government. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Lafayette Parish Consolidated Government and the general governmental services provided by that governmental unit.

Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Lafayette Parish Waterworks District North does not have governmental activities. Its operation is a business-type activity.

Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District maintains only one fund and it is described below:

Proprietary Fund –

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The government wide and proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Cash and Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As of December 31, 2009 the District has no investments.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customer's utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

Inventory

Inventory consists of supplies kept on hand to make repairs. The inventory is valued at the lower of cost or market.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures and equipment	7-10 years

Compensated Absences

The District allows one week paid vacation after one year as a full-time employee. In recognition of length of continuous service to the District, additional vacation time is provided to the employee based upon years of service. Vacation is normally taken in the year accrued and can not be carried over. Employees are allowed five days annually for excused absences, including sick leave. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment.

Equity Classifications

Equity is classified as net assets and displayed in three components:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District uses unrestricted assets only when restricted assets are fully depleted.

Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of financial Accounting Standards (“SFAS”) No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles” (“SFAS 168”) (ASC Topic 105). SFAS 168 establishes the FASB Accounting Standards Codification (the “Codification” or “ASC”) as the single source of authoritative, nongovernmental generally accepted accounting principles (“GAAP”), other than guidance issued by the SEC. ASC does not change GAAP; it introduces a new structure for organizing GAAP and limits the hierarchy to two levels-authoritative and non- authoritative. ASC is effective for interim or annual financial periods ending after September 15, 2009. The Company adopted ASC beginning on September 15, 2009 and the principal impact on our financial statements is limited to disclosures as all future references to authoritative accounting literature will be referenced in accordance with the Codification. In order to ease the transition to the Codification, the Company is providing the Codification cross reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (ASC 855) which establishes general standards for accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This is effective for financial periods ending after June 15, 2009. We have evaluated events subsequent to the balance sheet through June 25, 2010, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2009 and 2008, the District had cash and interest-bearing deposits (book balances) totaling \$3,008,411 and \$2,902,654, respectively, as follows:

	2009	2008
Demand deposits	\$ 688,908	\$ 689,133
Time deposits and money market accounts	2,319,503	2,213,521
Total	\$3,008,411	\$2,902,654

These 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. The bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 2009. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) at December 31, 2009, are unsecured as follows:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

Bank balances	<u>\$3,041,681</u>
At December 31, 2009, the deposits are secured as follows:	
Federal deposit insurance	\$ 250,000
Pledged securities (Category 3)	331,218
Trust assets	<u>2,460,463</u>
	<u>\$3,041,681</u>

Even though pledged securities are considered uncollateralized (Category 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.

NOTE 3 RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at December 31:

	<u>2009</u>	<u>2008</u>
Revenue bond and interest sinking account	\$ 615,866	\$ 596,039
Revenue bond reserve account	791,739	713,519
Revenue bond contingency account	316,850	307,134
Customers' deposits	<u>140,960</u>	<u>130,587</u>
Total restricted assets	<u>\$1,865,415</u>	<u>\$1,747,279</u>

NOTE 4 CAPITAL ASSETS

A summary of changes in property, plant and equipment follows:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS (CONTINUED)

	2009			
	Beginning Balance			Ending Balance
	1/1/2009	Increases	Decreases	12/31/2009
Land	\$ 21,905	\$ -	\$ -	\$ 21,905
Buildings and improvements	541,220	-	140,448	400,772
Furniture, fixtures and equipment	126,660	-	-	126,660
Water system	9,791,563	188,405	-	9,979,968
Construction in progress	-	-	-	-
Total	10,481,348	188,405	169,180	10,529,305
Less: Accumulated depreciation	<u>(2,872,967)</u>	<u>(350,484)</u>	<u>-</u>	<u>(3,223,451)</u>
Net Utility Fund property, plant and equipment	<u>\$7,608,381</u>	<u>\$ (162,079)</u>	<u>\$ 169,180</u>	<u>\$7,305,854</u>
	2008			
	Beginning Balance			Ending Balance
	1/1/2008	Increases	Decreases	12/31/2008
Land	\$ 21,905	\$ -	\$ -	\$ 21,905
Buildings and improvements	372,040	169,180	-	541,220
Furniture, fixtures and equipment	110,831	15,829	-	126,660
Water system	9,733,024	58,539	-	9,791,563
Construction in progress	169,180	-	169,180	-
Total	10,406,980	243,548	169,180	10,481,348
Less: Accumulated depreciation	<u>(2,525,961)</u>	<u>(347,006)</u>	<u>-</u>	<u>(2,872,967)</u>
Net Utility Fund property, plant and equipment	<u>\$7,881,019</u>	<u>\$ (103,458)</u>	<u>\$ 169,180</u>	<u>\$7,608,381</u>

Depreciation expense for the year ended December 31, 2009 and 2008 totaled \$350,483 and \$347,006, respectively.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 5 CHANGES IN LONG-TERM DEBT

The following is a summary of utility revenue bond transactions of the District for the year ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Long-term debt payable at January 1	\$ 5,999,383	\$ 6,139,647
Long-term debt retired and called	<u>207,047</u>	<u>140,264</u>
Long-term debt payable at December 31	<u>\$ 5,792,336</u>	<u>\$ 5,999,383</u>

Long-term debt payable at December 31 is composed of the following individual issues:

	<u>2009</u>	<u>2008</u>
<i>Utility Revenue Bonds:</i>		
\$950,000 Revenue Bonds, Series 1993, due in annual installments of \$60,610 through October 27, 2032; interest at 5.625 percent	\$ 769,739	\$ 786,129
\$1,680,000 Revenue Bonds, Series 1998, due in annual installments of \$95,424 through October 27, 2035; interest at 4.75 percent	1,399,011	1,426,668
\$2,800,000 Revenue Bonds, Series 2004, due in annual installments of \$71,000 to \$296,000; interest at 3.45 percent	2,435,586	2,516,586
\$1,500,000 Refunding Bonds, Series 2005, due in annual installments of \$21,321 to \$140,094 through October 1, 2020; interest at 4.3 percent	<u>1,188,000</u>	<u>1,270,000</u>
	5,792,336	5,999,383
Less: Current Portion	(210,048)	(126,397)
Less: Unamortized loss on refunding	(36,748)	(40,166)
Less: Unamortized bond issuance cost	<u>(66,318)</u>	<u>(70,963)</u>
	<u>\$ 5,479,222</u>	<u>\$ 5,761,857</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 5 CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debts outstanding at December 31, 2009 is as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 210,048	\$ 259,099	\$ 469,147
2011	227,019	249,714	476,734
2012	236,509	239,875	476,384
2013	247,127	229,617	476,744
2014-2018	1,402,828	977,828	2,380,656
2019-2023	1,693,566	648,217	2,341,784
2024-2028	1,037,116	297,281	1,334,398
2029-2033	588,992	117,124	706,117
2034-2035	149,130	8,892	158,022
	<u>\$ 5,792,336</u>	<u>\$ 3,027,648</u>	<u>\$ 8,819,984</u>

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets and errors and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7 FLOW OF FUNDS; RESTRICTIONS ON USE – UTILITY REVENUES

Under the terms of the respective bond indentures on the utility revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment. There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 25 percent of the amount to be paid into the sinking fund until the sum of \$469,262 has been accumulated. Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$1,305 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system. All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose. The Lafayette Parish Waterworks District North was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2009.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 8 COMPENSATION OF BOARD MEMBERS

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2009 follows:

	<u>Amount</u>
Harold Hebert, President	\$ 600
Board members:	
Melvin Eiden	465
John E. Hebert	510
Paul Champagne	510
Preston Bernard	465
Bob Lafosse	375
Donald Richard	465
Tony Boudreaux	465
Martin Mouton	<u>300</u>
 Total restricted assets	 <u>\$ 4,155</u>

NOTE 9 RELATED PARTY TRANSACTIONS

The District has an agreement with Lafayette Consolidated Government whereas, Consolidated Government installs certain services and sells water to certain District customers, collects the monthly billings from the customers, and remits the net amount collected to the District monthly after deducting charges and cost of water sold. Included in water sales and fees is \$1,661,651 billed by Lafayette Consolidated Government and included in cost of water sold is \$1,016,837 withheld by Lafayette Consolidated Government for cost of water sold and services installed.

SUPPLEMENTARY INFORMATION

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS



Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Deceased 2009

E. Larry Sikes, CPA/PFS, CVA, CFP®
Danny P. Frederick, CPA
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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

Kathleen T. Darnall, CPA
Dustin B. Baudin, CPA, MBA
Kevin S. Young, CPA
Adam J. Curry, CPA
Chad M. Bailey, CPA
Carol C. Guillory, CPA
Christy S. Dew, CPA
Ceelia A. Hoyt, CPA
Blaine M. Crochet, CPA, M.S.
Rachel W. Ashford, CPA
Veronica L. LeBlou, CPA
Jacob C. Roberic, CPA
S. Luke Sennier, CPA
Kyle P. Saltzman, CPA
Elise B. Fauchaux, CPA

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

We have audited the financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (the District), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 25, 2010. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as item 09-01 to be a significant deficiency in internal control over financial reporting.

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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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management of the Lafayette Parish Waterworks District North and is not intended to be and should not be used by anyone other than this specified party. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dannall, Sikes, Gardes & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 25, 2010

SINGLE AUDIT SECTION



Darnall, Sikes, Gardes Frederick

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Deceased 2009

E. Larry Sikes, CPA/PFS, CVA, CFP-
Danny P. Frederick, CPA
Clayton E. Darnall, CPA, CVA
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

Compliance

We have audited the compliance of Lafayette Parish Waterworks District North (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North as of and for the year ended December 31, 2009, and have issued our report thereon dated June 25, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Lafayette Parish Waterworks District North's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the District, Lafayette Parish Consolidated Government, federal awarding agencies, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dannall, Sikes, Gardes & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 25, 2010

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Outstanding Revenue Bonds</u>
United States Department of Agriculture - Rural Development *	10.418	\$ -	\$2,168,750
United States Environmental Protection Agency - Louisiana Department of Health and Hospitals Office of Public Health Capitalization Grants for Drinking Water State Revolving Fund *	66.468	<u>-</u>	<u>2,435,586</u>
	Totals:	<u>\$ -</u>	<u>\$4,604,336</u>

* Indicates major program.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Lafayette Parish Waterworks District North (the District). The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements.

(2) Basis of Accounting

The federal programs presented consists of loans and loan guarantees. Since the Federal Government is at risk for loans until the debt is repaid and since there are continuing compliance requirements, the balance of loans outstanding at December 31, 2009 was used to calculate the value of federal awards expended.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the Lafayette Parish Waterworks District North's financial statements as of and for the year ended December 31, 2009.

Control and Significant Deficiencies and Material Weaknesses - Financial Reporting

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

Material Noncompliance - Financial Reporting

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

FEDERAL AWARDS

Major Program Identification

The Lafayette Parish Waterworks District North, for the year ended December 31, 2009, had two major programs: 1) U.S. Department of Agriculture/Rural Development – Rural Development – CFDA No. 10.418 and 2) U.S. Environmental Protection Agency – Louisiana Department of Health and Hospitals Office of Public Health – Capitalization Grants for Drinking Water and State Revolving Fund – CFDA No. 66.468.

Low-Risk Auditee

The Lafayette Parish Waterworks District North is not considered a low-risk auditee for the year ended December 31, 2009.

Major Program - Threshold

The dollar threshold to distinguish Type A and Type B programs is \$300,000 for the year ended December 31, 2009.

Auditor's Report - Major Program

An unqualified opinion has been issued on the Lafayette Parish Waterworks District North's compliance for its major programs as of and for the year ended December 31, 2009.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

Material Weaknesses - Major Program

There were no material weaknesses noted during the audit of the major federal programs.

Compliance Finding Related to Major Program

The audit did not disclose any material noncompliance or questioned costs relative to its major federal programs.

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

Internal Control Findings –

See Internal Control Finding 09-1 on Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan.

Part III Findings and Questioned Costs Relating to the Federal Programs

The audit did not disclose any material noncompliance or questioned costs relative to its federal programs.

Part IV Management Letter

The auditor did not issue a management letter this year.

OTHER SUPPLEMENTARY INFORMATION

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2009

<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Date of Completion</u>
CURRENT YEAR (12/31/09) --					
Internal Control:					
09-1 2007	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Harold Hebert, President	N/A
PRIOR YEAR (12/31/08) --					
Internal Control:					
08-1 2007	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Harold Hebert, President	N/A

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Water meters in service -		
Residential	8,324	8,170
Commercial	86	128

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2009

<u>Description of Coverage</u>	<u>Expiration Dates</u>	<u>Coverage Amounts</u>
Surety bonds -		
Position bonds:	10/5/10	
President		\$ 160,000
Secretary/Treasurer		160,000
Administrative consultant		160,000
Commercial general liability -	4/9/10	
Each occurrence		1,000,000
General aggregate		3,000,000
Fire damage		1,000,000
Medical		10,000
Excess liability -	4/9/10	
Each occurrence		1,000,000
Aggregate		1,000,000
Property -	4/9/10	
Building		333,888
Business personal property		104,000
Miscellaneous property		250,000
Public officials liability insurance -	12/1/10	
Each occurrence		1,000,000
General aggregate		1,000,000
Flood -	10/10/10	
Building		257,700
Contents		57,500

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Accounts Receivable Aging Schedule
(Unaudited)
December 31, 2009 and 2008

	2009	2008
Number of days -		
0-30	\$ 318,269	\$ 246,064
31-60	572	-
61-90	1,261	-
Over 90	636	13
Total	\$ 320,738	\$ 246,077

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Rate Schedule for Residential and Commercial Customers
(Unaudited)
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
First 2,000 gallons -		
Residential	\$ 13.00	\$ 13.00
Commercial	16.00	16.00
Every 1,000 gallons thereafter -		
Residential	2.30	2.30
Commercial	2.50	2.50