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**LAFAYETTE PARISH
WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED
GOVERNMENT OF LAFAYETTE, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED AUGUST 31, 2007

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 3/5/08

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lafayette Parish Waterworks District South
Lafayette, Louisiana

We have audited the accompanying financial statements of the Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year then ended August 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Lafayette Parish Waterworks District South's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide. 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 financial position of Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of August 31, 2007, and the respective change in financial position, and, cash flows thereof for the year 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 a report dated February 18, 2008 on our consideration of the Lafayette Parish Waterworks District South's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 8 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 consist principally of inquiries of management regarding the methods for measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on Lafayette Parish Waterworks District South's financial statements taken as a whole. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis 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, are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

February 18, 2008

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LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

Lafayette Parish
Management's Discussion and Analysis (Unaudited)
FYE August 31, 2007

Our discussion and analysis of Lafayette Parish Waterworks District South's performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2007. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by \$449,579 from \$3,459,852 in 2006 to \$3,909,431 in 2007, as a result of this year's operations.
- The District's revenues exceeded expenses by \$279,468 for the year ended August 31, 2007.
- Cash and cash equivalents decreased by \$100,894 for the year ended August 31, 2007.
- There were no major changes to property, plant and equipment during the current year.

USING THIS ANNUAL REPORT

This annual report consists of three parts – *management's discussion and analysis, the basic financial statements, and supplementary information*. The basic financial statements consist of the fund financial statements and the note to the financial statements. The fund financial statements focus on individual parts of the District, offering short and long-term financial information about the activities that the government operates *like businesses*.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
Lafayette Parish
Management's Discussion and Analysis (Unaudited) (Continued)
FYE August 31, 2007

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets increased by \$449,579 between the fiscal years 2006 and 2007. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the District's business-type activities.

TABLE 1
SUMMARY OF NET ASSETS

	<u>2006</u>	<u>2007</u>	<u>Percentage Change</u>
Current and Other Assets	\$3,053,156	\$3,150,164	3.2%
Capital Assets	<u>5,134,926</u>	<u>5,276,176</u>	2.8%
Total Assets	8,188,082	8,426,340	2.9%
Long-term Debt Outstanding	\$4,637,238	\$4,421,235	-4.7%
Other Liabilities	<u>90,992</u>	<u>95,674</u>	5.1%
Total Liabilities	4,728,230	4,516,909	-4.5%
Net Assets-			
Invested in Capital Assets,			
Net of Related Debt	\$2,462,243	\$2,843,591	15.5%
Restricted for Debt Service	415,161	482,771	16.3%
Unrestricted	<u>582,448</u>	<u>583,069</u>	0.1%
Total Net Assets	<u>\$3,459,852</u>	<u>\$3,909,431</u>	13.0%

Net assets for the District increased by 13.0 percent. Net assets are restricted as to the purpose they can be used for or are invested in capital assets (buildings, water equipment, etc.). Unrestricted net assets can be used to meet the District's ongoing obligations to customers and creditors.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
Lafayette Parish
Management's Discussion and Analysis (Unaudited) (Continued)
FYE August 31, 2007

The following table provides a summary of the District's changes in net assets:

TABLE 2
SUMMARY OF CHANGES IN NET ASSETS

	<u>2006</u>	<u>2007</u>	<u>% Change</u>
Revenues:			
Operating -			
Charges for Services	\$1,092,329	\$1,192,432	9.1%
Non-Operating -			
Membership Fees	7,350	11,700	59.1%
Installation Fees	81,046	70,100	-13.6%
Contributed Infrastructure	-----	161,315	100%
Interest Income	<u>23,101</u>	<u>147,673</u>	539%
Total Revenues	1,203,826	1,583,220	31.5%
Expenses:			
Operating	838,639	912,964	8.8%
Non-Operating -			
Interest	119,842	217,221	81.2%
Amortization of Debt Expense	866	2,459	184%
Amortization of Loss on			
Reacquired Debt	<u>880</u>	<u>997</u>	13.2%
Total Expenses	960,227	1,133,641	18.2%
Change in Net Assets	<u>\$ 243,599</u>	<u>\$ 449,579</u>	84.5%

The District's total revenues increased in 2007 primarily due to water sales and contributed infrastructure. Total expenses increased due to an increase in the amount of water purchased during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2007 and 2006, the District had \$6,728,764 and \$6,429,181, respectively, invested in a broad range of capital assets, including buildings, water lines, furniture and fixtures, and construction in progress. There were additions to capital assets of \$307,633 during 2007. Accumulated depreciation on these capital assets was \$1,452,588 and \$1,294,255, respectively, for these years.

Long Term Debt

At August 31, 2007, the District had \$4,437,000 in bonds outstanding versus \$4,654,000 at August 31, 2006.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
Lafayette Parish
Management's Discussion and Analysis (Unaudited) (Continued)
FYE August 31, 2007

TABLE 3
OUTSTANDING DEBT AT YEAR-END

	<u>2006</u>	<u>2007</u>	<u>% Change</u>
Water Revenue Refunding Bonds:			
Long-term	\$4,437,000	\$4,208,000	-5.1%
Current	<u>217,000</u>	<u>229,000</u>	5.5%
Total	<u>\$4,654,000</u>	<u>\$4,437,000</u>	-4.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

There are no significant changes projected in the District's rates or costs for the 2008 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lafayette Parish Waterworks District South office.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
Lafayette Parish
Management's Discussion and Analysis (Unaudited) (Continued)
FYE August 31, 2007

SCHEDULE OF NUMBER OF UTILITY CUSTOMERS AND MONTHLY WATER RATES

Records maintained by the Lafayette Parish Waterworks District South indicated the following number of customers were being serviced as of August 31, 2007.

Residential Customers	3,212
Commercial Customers	<u>17</u>
Total	3,229

The water rates of the Lafayette Parish Waterworks District South as of August 31, 2007 are as follows:

- ¾" Meter - \$14.00 for the first 2,000 gallons, \$2.60 per 1,000 gallons thereafter
- 1" Meter - \$20.00 per month plus \$2.60 per 1,000 gallons used
- 1½" Meter - \$30.00 per month plus \$2.60 per 1,000 gallons used
- 2" Meter - \$50.00 per month plus \$2.60 per 1,000 gallons used

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF NET ASSETS
AUGUST 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 2,484,501
Accounts Receivable (Net of Allowance for Doubtful Accounts)	143,814
Prepaid Insurance	<u>6,387</u>
Total Current Assets	<u>2,634,702</u>

RESTRICTED ASSETS

Cash - Restricted	
Water Revenue Bond and Interest Sinking Fund	63,911
Water Revenue Reserve Fund	183,268
Water Depreciation and Contingency Fund	<u>235,592</u>
Total Restricted Assets	<u>482,771</u>

DEFERRED CHARGES

Unamortized Debt Expense	<u>32,691</u>
Total Deferred Charges	<u>32,691</u>

PROPERTY, PLANT AND EQUIPMENT

Water District System	5,366,457
Water Treatment Plant	226,452
Water Line and Wells	316,844
Water Meters	505,800
Automobile	26,459
Equipment	82,437
Office Equipment	41,485
Buildings	<u>40,571</u>
Total	6,606,505
Less: Accumulated Depreciation	<u>(1,452,588)</u>
Total	<u>5,153,917</u>

Land	15,000
Construction in Progress	<u>107,259</u>
Total	<u>122,259</u>
Net Property, Plant and Equipment	<u>5,276,176</u>

TOTAL ASSETS	<u>\$ 8,426,340</u>
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The Accompanying Notes are an Integral Part of This Statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF NET ASSETS
AUGUST 31, 2007

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 59,853
Payroll Taxes Payable	1,653
Sales Tax Payable	1,607
Renters' Deposits	22,350
Due to State of Louisiana	<u>115</u>
Total Current Liabilities	<u>85,578</u>

CURRENT LIABILITIES (Payable from Restricted Assets)

Accrued Interest	10,096
Current Portion of Revenue Bonds	<u>229,000</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>239,096</u>

NON-CURRENT LIABILITIES

Revenue Bonds Payable - Less Current Portion	4,208,000
Less: Unamortized Loss on Reaquired Debt	<u>(15,765)</u>
Total Non-Current Liabilities	<u>4,192,235</u>

TOTAL LIABILITIES	<u>4,516,909</u>
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NET ASSETS

Invested in Capital Assets, net of Related Debt	2,843,591
Restricted for Debt Service	482,771
Unrestricted	<u>583,069</u>

TOTAL NET ASSETS	<u>3,909,431</u>
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**TOTAL LIABILITIES AND
NET ASSETS**

\$ 8,426,340

The Accompanying Notes are an Integral Part of This Statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2007

OPERATING REVENUES

Charges for Services -	
Water Sales	\$ 1,142,746
Connection Fees	14,580
Late Fees	33,753
Other Fees	<u>1,353</u>
Total Operating Revenues	<u>1,192,432</u>

OPERATING EXPENSES

Scheduled	746,581
Depreciation	<u>166,383</u>
Total Operating Expenses	<u>912,964</u>

Operating Income	<u>279,468</u>
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NON-OPERATING REVENUES (EXPENSES)

Membership Fees	11,700
Installation Fees	70,100
Contributed Infrastructure	161,315
Interest Income	147,673
Interest Expense	(217,221)
Amortization of Debt Expense	(2,459)
Amortization of Loss on Reaquired Debt	<u>(997)</u>
Total Non-Operating Revenues (Expenses)	<u>170,111</u>

CHANGE IN NET ASSETS	449,579
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NET ASSETS, BEGINNING OF YEAR	<u>3,459,852</u>
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NET ASSETS, END OF YEAR	<u>\$ 3,909,431</u>
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The Accompanying Notes are an Integral Part of This Statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Service Users	\$ 1,186,219
Cash Payments for Goods and Services	(622,128)
Cash Paid to Employees for Service	<u>(111,849)</u>
Net Cash Provided By Operating Activities	<u>452,242</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Proceeds from Membership Fees	11,700
Proceeds from Installation Fees	70,100
Acquisition and Construction of Property, Plant and Equipment	(146,319)
Principal Paid on Revenue Bonds	(217,000)
Interest Paid on Revenue Bonds	<u>(217,708)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(499,227)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	206
Investment Interest Received	<u>147,673</u>
Net Cash Provided by Investing Activities	<u>147,879</u>

NET INCREASE IN CASH 100,894

CASH AT BEGINNING OF YEAR (including restricted cash of \$415,161) 2,866,378

CASH AT END OF YEAR (including restricted cash of \$482,771) \$ 2,967,272

The Accompanying Notes are an Integral Part of This Statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2007

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 279,468
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	166,383
Changes in Assets and Liabilities:	
Accounts Receivable, Net	6,130
Prepaid Insurance	(4,908)
Accounts Payable	2,802
Payroll Taxes Payable	1,087
Sales Tax Payable	80
Renters Deposits	<u>1,200</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 452,242</u>
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NON-CASH FINANCING ACTIVITIES:

Contributed Infrastructure	<u>\$ 161,315</u>
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The Accompanying Notes are an Integral Part of This Statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity - The Lafayette Parish Waterworks District South (the District) is a component unit of the Consolidated Government of Lafayette, Louisiana (the Consolidated Government). The District constitutes a legal entity separate and apart from the Consolidated Government. The Consolidated Council of Lafayette appoints the governing body of the District. The financial information contained in these statements is only that of the Lafayette Parish Waterworks District South and includes all funds over which the District exercises oversight responsibility. This responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

The Lafayette Parish Waterworks District South was issued a charter by the State of Louisiana and a franchise from the Parish of Lafayette on October 10, 1974. The District's purpose is to provide a water system for the southern district in Lafayette Parish.

The accounts of the District are in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and reporting policies also conform to the guidelines set forth in the Louisiana Governmental Audit Guide.

Basis of Presentation - The Lafayette Parish Waterworks District South, reported in these statements as a proprietary fund, prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 14 has defined the governmental reporting entity to be the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the District, a component unit of the Consolidated Government of Lafayette, Louisiana and have 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.

Basis of Accounting - The Authority maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgetary Accounting - Formal budgetary integration is not employed as a management control device for the Lafayette Parish Waterworks District South.

Property and Equipment - Property and equipment are recorded at cost and include direct costs and the costs of funds borrowed by the District and used for construction purposes. Capitalized interest incurred during the year ended August 31, 2007 was \$0.00.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation of property and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Water Distribution System	40
Water Treatment Plant	5-40
Water Lines, Wells and Meters	5-40
Office Equipment	3-7
Other Equipment	5-10

Labor Related Expenses - The District reimburses the Consolidated Government for group health insurance premiums that the Consolidated Government pays on the District's behalf.

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. The allowance for doubtful accounts at August 31, 2007 was \$660.

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. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. As of August 31, 2007 the District held no investments.

Unamortized Debt Expense - Debt expense incurred at bond issuance is capitalized and amortized over the life of the bonds using the sum of the bonds outstanding method.

Unamortized Loss on Reacquired Debt - Losses incurred upon refunding of debt are treated as deferred charges and amortized over the life of the new bonds issued.

Water Revenue Bonds - Bonds outstanding are stated at face value less unamortized discount and unamortized loss on reacquired debt. The discount is amortized over the life of the bonds using the sum of the bonds outstanding method.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Net Assets – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Statement of Cash Flows - For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash and interest-bearing deposits are stated at cost, which approximates market.

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 expenses during the reporting period. Actual results could differ from those estimates.

B. 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 laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At August 31, 2007, the District has cash and interest-bearing deposits (book balances) totaling \$2,967,272.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk, however, 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.

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. As of August 31, 2007, \$3,970,789 of the District's bank balances of \$4,070,789 was exposed to custodial credit risk as follows:

Bank Balances	<u>\$ 2,980,033</u>
Federal Deposit Insurance	\$ 100,000
Pledged Securities (Category 3)	<u>3,970,789</u>
Total	<u>\$ 4,070,789</u>

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

B. CASH AND INTEREST-BEARING DEPOSITS - continued

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the bank, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revenue 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.

C. RESTRICTED ASSETS

Water Revenue Bond and Interest Sinking Fund - Each month there shall be set aside into this fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Water Revenue Reserve Fund - There shall also be set aside into this fund an amount equal to five percent (5%) of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Water Revenue Bond and Interest Sinking Fund and as to which there would otherwise be default.

Water Depreciation and Contingency Fund - Funds will also be set aside into this fund at the rate of \$12,372 each year. Money in this fund may be used for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

2006 Bond Improvements Account— Proceeds from the issuance of bonds to fund construction costs were deposited into this account. These funds will be used to pay the costs of construction projects.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

D. PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund type property, plant and equipment at August 31, follows:

	Balance 9/1/2006	Increases	Decreases	Balance 8/31/2007
Water Distribution System	\$ 5,193,986	\$ 172,471	\$ -	\$ 5,366,457
Water Treatment Plant & Building	267,023	-	-	267,023
Water Lines, Wells and Meters	765,653	65,041	8,050	822,644
Office Equipment	37,384	4,101	-	41,485
Other Equipment	82,437	-	-	82,437
Automobile	26,459	-	-	26,459
Less: Accumulated Depreciation	<u>(1,294,255)</u>	<u>(166,383)</u>	<u>8,050</u>	<u>(1,452,588)</u>
Net Property, Plant and Equipment	<u>\$ 5,078,687</u>	<u>\$ 75,230</u>	<u>\$ 16,100</u>	<u>\$ 5,153,917</u>
Land	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>
Construction Work in Progress	<u>\$ 41,239</u>	<u>\$ 66,020</u>	<u>\$ -</u>	<u>\$ 107,259</u>

Depreciation expense for the year ended August 31, 2007 was \$166,383.

E. WATER REVENUE BONDS

The following is a summary of the water revenue bonds transactions for the year ended August 31, 2007:

	Balance 9/1/2006	Additions	Reductions	Balance 8/31/2007	Due Within One Year
Serial Bond - 2002	1,621,000	-	62,000	1,559,000	67,000
Serial Bond - 2004	931,000	-	56,000	875,000	58,000
Serial Bond - 2006A	102,000	-	5,000	97,000	5,000
Serial Bond - 2006B	<u>2,000,000</u>	<u>-</u>	<u>94,000</u>	<u>1,906,000</u>	<u>99,000</u>
	<u>\$ 4,654,000</u>	<u>\$ -</u>	<u>\$ 217,000</u>	<u>\$ 4,437,000</u>	<u>\$ 229,000</u>

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

E. WATER REVENUE BONDS - Continued

The District has three Water Revenue Bond issues outstanding at August 31, 2007.

A summary of this debt is as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Balance At 08/31/07</u>
20 year Water Revenue Bonds Series 2002, 5.10% interest, payable in annual installments of principal and interest, held by Iberia Bank	4/23/2002	1,559,000
15 year Water Revenue Refunding Bonds Series 2004, 4.25% interest, payable in annual installments of principal and interest, held by Iberia Bank	12/21/2004	875,000
15 year Water Revenue Refunding Bonds Series 2006, 4.58% interest, payable in annual installments of principal and interest, held by Iberia Bank	8/15/2006	97,000
15 year Water Revenue Bonds Series 2006, 4.58% interest, payable in annual installments of principal and interest, held by Iberia Bank	8/15/2006	<u>1,906,000</u>
Total Principal Outstanding on Water Revenue Bonds		4,437,000
Unamortized Loss on Reacquired Debt		<u>(15,765)</u>
Net Water Revenue Bonds Outstanding		<u>\$ 4,421,235</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Years Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	229,000	208,434	437,434
2009	240,000	197,790	437,790
2010	252,000	186,634	438,634
2011	265,000	174,905	439,905
2012	277,000	162,570	439,570
2013-2017	1,610,000	605,597	2,215,597
2018-2021	<u>1,564,000</u>	<u>191,519</u>	<u>1,755,519</u>
Total	<u>\$ 4,437,000</u>	<u>\$ 1,727,449</u>	<u>\$ 6,164,449</u>

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

F. RELATED PARTY TRANSACTIONS

The District purchases water from the Consolidated Government for resale to customers in the ordinary course of business. The District purchased \$390,732 of water from the Consolidated Government during 2007. At August 31, 2007, the District owed the Consolidated Government \$43,118.

G. RISK MANAGEMENT

The District is exposed to risks of loss in the areas of general liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in insurance coverage during the year.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

LIST OF BOARD OF COMMISSIONERS
AS OF AUGUST 31, 2007

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>
Wayne Arceneaux	October, 2007	President	2820 S. Richfield Rayne, LA 70578 (337) 873-6605
John Hebert	November, 2009	Vice President	108 Chamberlain Rayne, LA 70529 (337) 334-7164
Troy M. Hanks	November, 2008	Secretary/ Treasurer	2648 S. Fieldspan Duson, LA 70529 (337) 984-2582
George Villien Jr.	October, 2007	Board Member	3143 S. Fieldspan Duson, LA 70529 (337) 981-3076
Johnny Meaux	October, 2009	Board Member	112 Golden Grain Duson, LA 70529 (337) 319-3490
Dave Young	October, 2008	Board Member	237 Andover Road Duson, LA 70529 (337) 873-0499

Commissioners each receive \$40.00 compensation monthly.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2007

Advertising	\$ 596
Automobile Allowance	1,700
Bad Debts	2,236
Bank Charges	1,915
Billing Service	6,168
Board Fees	1,800
Board Expenses	49
Chemicals	149
Consulting and Engineering	13,207
Dues and Subscriptions	1,509
Employee Training	295
Gas	9,897
Insurance	34,438
Labor	7,601
Legal and Accounting	13,175
Meter Reading Service	23,676
Office	5,459
Postage	5,622
Repairs and Maintenance	42,536
Salaries	111,849
Supplies	3,494
Payroll Taxes	9,144
Telephone	9,036
Utilities	2,211
Water Purchased	<u>438,819</u>
 TOTAL OPERATING EXPENSES	 <u>\$ 746,581</u>

WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants

100 Petroleum Drive, 70508

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

To the Board of Commissioners
Lafayette Parish Waterworks District South
Lafayette, Louisiana

We have audited the financial statements of Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2007, and have issued our report thereon dated February 18, 2008. 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 and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Parish Waterworks District South's internal control over financial reporting in order to determine 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 Lafayette Parish Waterworks District South's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lafayette Parish Waterworks District South's internal control over financial reporting.

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

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 Lafayette Parish Waterworks District South'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 Lafayette Parish Waterworks District South's financial statements that is more than inconsequential will not be prevented or detected by the Lafayette Parish Waterworks District South's internal control.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of 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 Lafayette Parish Waterworks District South'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 consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lafayette Parish Waterworks District South'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

February 18, 2008

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007**

We have audited the financial statements of Lafayette Parish Waterworks District South; a component unit of the Consolidated Government of Lafayette, Louisiana as of and for the year ended August 31, 2007, and have issued our report thereon dated February 18, 2008. 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 Comptroller General of the United States. Our audit of the financial statements of August 31, 2007 resulted in an unqualified opinion.

Section I – Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<u> x </u> Yes	<u> </u> No
Reportable Conditions	<u> x </u> Yes	<u> </u> No

Compliance

Compliance Material to Financial Statements	<u> </u> Yes	<u> x </u> No
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Section II – Financial Statement Findings

2007-1 Inadequate Controls over Financial Statement Preparation

Finding:

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 related notes.

Recommendation:

The District should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

2007-3 Material Audit Adjustments

Finding:

During the course of the current year audit, the auditor was required to make a significant number of adjusting journal entries which had a material effect on the financial statements.

Recommendation:

The District should implement procedures to limit the number of reclassification entries necessary for financial statement preparation, recognize donated infrastructure and effectively match materials and labor for water meters, lines, construction in progress and other capital expenditures.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007**

Section III – Federal Award Findings and Questioned Costs.

This section is not applicable for the fiscal year ending August 31, 2007.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007**

There were no prior year findings.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2007**

The Lafayette Parish Waterworks District South respectfully submits the following corrective action plan for the year ended August 31, 2007.

The finding from the August 31, 2007 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

Finding No. 2007-1

Recommendation: The District should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Action Taken: The District has evaluated the cost vs. benefit and has determined that outsourcing the preparation of the financial statements to the independent auditors is in the best interest of the District at this time and will carefully review and approve the draft financial and related footnotes prior to issuance.

Finding No. 2007-2

Recommendation: The District should implement procedures to limit the number of reclassification entries necessary for financial statement preparation, recognize donated infrastructure and effectively match materials and labor for water meters, lines, construction in progress and other capital expenditures.

Action Taken: The District will implement this recommendation in the current fiscal year.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Wayne Arceneaux, President, Lafayette Parish Waterworks District South Board of Commissioners at (337) 989-9600.

Sincerely yours,



Wayne Arceneaux
President