

**WATER DISTRICT NO. 1
OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Annual Financial Report

June 30, 2008 and 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 12/10/08



STAGNI & COMPANY, LLC

WATER DISTRICT NO. 1
Annual Financial Report
June 30, 2008 and 2007

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**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008 and 2007**

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2008 and 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

The District engages in various activities classified as "proprietary." These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions.

2008 FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Total assets increased \$2,710,263 and total liabilities decreased \$1,645,896, resulting in total net assets increasing \$4,356,159 or 8.3% from the prior year.
- Operating revenues decreased slightly by \$172,643 or 1.5% from the prior year and conversely operating expenses increased slightly by \$241,486 or 2.7% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts: Management's Discussion and Analysis, the Financial Section, Required Supplementary Information, and Other Supplemental Schedules. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Basic Financial Statements - Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses and Net Assets and the Comparative Statement of Cash Flows provide both long-term and short-term information about the overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net assets and how they have changed. Net assets – the difference between assets and liabilities – are one way to measure financial health, or position. Over time, increases or decreases in net assets are an indicator of whether its financial health is improving or deteriorating, respectively. This Statement also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility.

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All of the current year's revenue and expenses are accounted for in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Comparative Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting for operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the Independent Auditor's Report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

FINANCIAL ANALYSIS

To begin our analysis, a condensed summary of the Comparative Statement of Net Assets is presented in Table A-1.

Table A-1
Condensed Statement of Net Assets
(In millions of dollars)

	FY 2008	FY 2007	Dollar Change	Total Percent Change
Current Assets	\$ 14.6	\$ 12.3	\$ 2.3	18.7%
Restricted Assets	14.0	17.3	(3.3)	-19.1%
Capital Assets	58.9	55.2	3.7	6.7%
Total Assets	87.5	84.8	2.7	3.2%
Current Liabilities	3.9	4.1	(0.2)	-4.9%
Long Term Liabilities	26.9	28.4	(1.5)	-5.3%
Total Liabilities	30.8	32.5	(1.7)	-5.2%

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Invested in Capital Assets,				
Net of Related Debt	40.4	37.8	2.6	6.9%
Restricted	3.5	4.2	(0.7)	-16.7%
Unrestricted	12.8	10.3	2.5	24.3%
Total Net Assets	\$ 56.7	\$ 52.3	\$ 4.4	8.4%
 Liabilities to assets ratio	 35.2%	 38.3%		

The liabilities to assets ratio, which indicates the degree to which the District's assets are financed through borrowing and other obligations, decreased slightly due to scheduled debt payments.

Total net assets increased \$4.4 million or 8.4%. Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) decreased slightly. Unrestricted Net Assets increased by approximately \$2.5 million to \$12.8 million. The Net Assets invested in Capital increased by \$2.6 million absorbing the remaining portion of the positive change in net assets.

The following denotes explanations for some of the major changes between fiscal years, as shown in the previous table:

- Current assets increased by almost 20% primarily due to an increase in unrestricted cash and investments generated by the current year income from operations.
- Capital assets increased by \$3.7 million primarily due to an increase of construction projects being added to the system.
- Current liabilities decreased slightly by about 5% mainly due to decreases in retainage paid on completed projects and a decrease in interest accrued at the end of the year.
- Long term debt outstanding decreased due to payments made reducing the outstanding balances at the end of the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008 and 2007**

A condensed summary of the Comparative Statement of Revenues, Expenses and Changes in Net Assets is presented in Table A-2.

Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In millions of dollars)

	FY 2008	FY 2007	Dollar Change	Total Percent Change
Operating Revenues	\$ 11.5	\$ 11.7	\$ (0.2)	-1.7%
Non-operating Revenues	2.5	2.4	0.1	4.2%
Total Revenues	14.0	14.1	(0.1)	-0.7%
Depreciation Expense	2.5	2.3	0.2	8.7%
Other Operating Expenses	6.6	6.6	-	0.0%
Non-operating Expenses	1.4	0.9	0.5	55.6%
Total Expenses	10.5	9.8	0.7	7.1%
Income before Capital Contributions	3.5	4.3	(0.8)	-18.6%
Capital Contributions	0.9	1.1	(0.2)	-18.2%
Change in Net Assets	4.4	5.4	(1.0)	-18.5%
Beginning Net Assets	52.3	46.9	5.4	11.5%
Ending Net Assets	\$ 56.7	\$ 52.3	\$ 4.4	8.4%

Operating revenues decreased slightly, mainly in metered sales to regular customers.

Non-operating revenues increased slightly, primarily due to an increase in ad valorem taxes received in line with an increase of assessed property values.

The District capitalized \$11,082,285 in depreciable assets over the course of the year which resulted in the additional \$200,000 increase in depreciation expense.

Other operating expenses and non-operating expenses remained relatively the same.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008 and 2007**

BUDGETARY HIGHLIGHTS

As required by its bond covenants, the District adopts an Operating and Capital Works Budget no later than June 30th of each year. The budget remains in effect the entire year unless it is revised.

A budget comparison and analysis is presented to the Board in monthly interim financial statements. The adopted budget was not revised. A comparison of budget and actual is presented in Table A-3.

Table A-3
Condensed Comparison of Budget and Actual
(In millions of dollars)

	Budget	FY 2008	Dollar Variance	Total Percent Variance
Operating Revenues	\$ 11.4	\$ 11.5	\$ 0.1	0.9%
Non-operating Revenues	3.5	2.5	(1.0)	-28.6%
Total Revenues	14.9	14.0	(0.9)	-6.0%
Other Operating Expenses	6.7	6.6	0.1	1.5%
Depreciation	2.1	2.5	(0.4)	-19.0%
Non-operating Expenses	1.3	1.4	(0.1)	-7.7%
Total Expenses	10.1	10.5	(0.4)	-4.0%
Income before Capital Contributions	4.8	3.5	(1.3)	-27.1%
Capital Contributions	-	0.9	0.9	100.0%
Change in Net Assets	4.8	4.4	(0.4)	-8.3%
Beginning Net Assets	40.3	52.3	12.0	29.8%
Ending Net Assets	\$ 45.1	\$ 56.7	\$ 11.6	25.7%

Budget variance explanations:

- Operating revenues varied due to a slight decrease in residential sales that was not anticipated.
- Non-operating revenues varied due to increases in property values which in turn increased the taxes collected that was not anticipated.
- Total expenses varied slightly.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS

At the end of 2008, the Water District had \$58.9 million invested in a broad range of capital assets as summarized in Table 4 below. This amount represents a net increase (including additions and deductions) of \$3.7 million, or 6.7 percent, over last year.

Table A-4
Summary of Capital Assets

	2006	2007	2008
Land and Right of Ways	\$ 952,583	\$ 952,583	\$ 952,583
Construction in Progress	5,903,944	10,880,694	5,570,666
Water Plant & Building	19,524,568	20,262,228	21,455,388
Transmission & Distribution	60,386,702	62,994,162	72,877,487
Distribution Equipment	679,491	759,186	728,508
Administration Buildings	542,167	542,167	542,167
Furniture & Equipment	318,609	319,013	339,833
Transportation Equipment	471,491	483,424	499,082
Total Cost of Assets	88,779,555	97,193,457	102,965,714
Accumulated Depreciation	(39,902,287)	(42,034,255)	(44,104,589)
Total Capital Assets, Net	\$48,877,268	\$55,159,202	\$ 58,861,126
Depreciation Expense	\$ 2,196,253	\$ 2,286,399	\$ 2,488,995

During this year there was \$18 million of additions, including \$6 million of Construction in Progress and \$12.7 million of disposals and depreciation, reflecting a net increase of \$5.3 million in capital assets at historical cost.

This year's major capital additions included:

- North & South Plant Chlorine Scrubbers \$ 338,231
- 18" Waterline Leeville Bridge to Booster \$ 961,648
- 18" Waterline Leeville Booster to Bridge \$ 2,194,101
- Waterline Replacement Pecan St., et. al. \$ 354,616
- Waterline Replacement East 5th St., et. al. \$ 512,501
- Waterline Replacement Silver St., et. al. \$ 429,504
- State Project Fourchon-Leeville Phase 1A \$ 436,746
- State Project Fourchon-Leeville Phase 1B \$ 2,186,832
- 18" Cutoff to Larose \$ 1,850,134

Additional detailed information about capital assets is presented in Note 6 to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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DEBT ADMINISTRATION

At year-end, the Water District had \$29.3 million in bonds outstanding compared to \$30.8 million in the prior year—a decrease of 4.9 percent—as shown in Table 5.

Table A-5
Outstanding Debt

	2006	2007	2008
Water Revenue Bonds:			
\$10,000,000 dated 10/1/1996	\$ 475,000	\$ -	\$ -
\$10,000,000 dated 1/1/2002	8,755,000	8,400,000	8,025,000
\$6,000,000 dated 5/1/2003	5,490,000	5,280,000	5,055,000
\$7,330,000 dated 10/28/04	7,265,000	7,160,000	6,555,000
\$10,000,000 dated 12/1/06	-	10,000,000	9,700,000
Total outstanding	<u>\$21,985,000</u>	<u>\$30,840,000</u>	<u>\$29,335,000</u>

More detailed information about long-term debt is presented in Note 7 to the financial statements.

Bond Ratings

Outstanding bonds carry the following ratings:

- 2002 bonds are A3 rated (not insured) from Moody's
- 2003 bonds are Aaa rated (insured) from Moody's
- 2004 bonds are AAA rated (insured) from XL Capital
- 2006 bonds are AAA rated (insured) from CIFG

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2009, it is estimated that the District:

- Will serve an average of 30,702 customers; an increase of 1,095 over the average customers served for the twelve-month period ended March 31, 2008.
- Will generate water sales in the amount of 3,513,432 M gallons, an increase of 99,080 M gallons compared to the twelve-month period ending March 31, 2008.
- Resulting water service revenues are estimated to amount to \$11,607,419, which would be \$693,441 more than the March 31st twelve-month period of \$10,913,978

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- It is estimated that the District will collect \$468,000 for connection charges and penalties for late payment of bills, or about \$186,140 less than the level of the comparison year, which will result in total revenues of \$12,075,419, up by \$507,300 or 4.4 percent.

Table A-6
June 30, 2009 Summary of Projected Budget

Water Service Revenue	\$ 11,607,419
Other Operating Revenue	468,000
Total Operating Revenue	12,075,419
Operating Expenses	(9,358,506)
Net Operating Revenue	2,716,913
Other Income	2,121,683
Other Expenses	(1,255,785)
Net Income	\$ 3,582,811

Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied. By election on November 2, 2004 the voters approved to continue a tax of 3.81 mills per annum. For the fiscal year 2008, the Board of Commissioners approved a 3.81 mill levy on for operating and maintenance purposes, and such levy has been used for budget purposes for the 2009 fiscal year.

The District's capital expenditures budget for fiscal year 2009 provides for total expenses of \$18,556,657 including \$12,172,286 of new construction projects. Some of the most significant projects are as follows:

- Waterline Golden Meadow Floodgate to Booster \$ 830,000
- Waterline Golden Meadow Booster to Galliano Booster \$1,310,000
- Waterline Galliano Booster to Cut Off Booster \$2,560,000
- North Bayou Blue 300,000 Gallon Tank \$ 570,000
- Improvements at North Plant \$3,707,500
- Improvements at South Plant \$2,100,000
- 12" Water Main W. Thibodaux Booster to New Bayou Crossing \$ 242,286
- 18" Waterline Golden Meadow Levee Crossing \$ 600,000
- Waterline replacement projects \$ 673,421
- Water line replacements for 07/08 \$1,500,000
- Water line replacements for 08/09 \$1,000,000

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In summary, the proposed budget indicates that the District will not only meet cash requirements but will also have fund balances as required by the outstanding bond resolutions.

Hurricanes Gustav and Ike had a major impact on this portion of the Gulf Coast. The District personnel as well as insurance carriers are still working on the amount of damages and the amounts that will, if any, be reimbursed by insurance. Estimates of damages are not available at this point, however, they are believed to be less than the 3% wind, hail and storm deductibles provided by the insurance and some costs will be paid out-of-pocket. At this point in time, management can not make a determination of how much of its tax base has been affected by the storms.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of our finances and to demonstrate accountability for the money we receive. If you have questions about this report or need additional financial information, contact:

Pam Porche, Office Manager,
P.O. Box 399, Lockport, LA 70374,
1-800-344-1580

FINANCIAL SECTION



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2008 and 2007, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Water District No. 1's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the business type activities of the Water District No. 1 as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
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In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2008 on our consideration of Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Management's Discussion and Analysis and Other Required Supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole that collectively comprise the Water District's basic financial statements. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Water District No. 1. Such information, except for the schedule of Metered Water Customers and the Schedule of Insurance in Force 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, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Stagni & Company

Thibodaux, Louisiana
September 11, 2008



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Net Assets
Water Enterprise Fund
June 30, 2008 and 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,245,075	\$ 1,877,912
Investments	9,852,356	7,937,256
Receivables:		
Water sales	828,104	799,874
Unbilled water sales	815,330	906,843
Sewerage	37,412	38,479
Due from State of Louisiana	75,929	-
Other	157	4,301
Inventory	457,241	494,198
Prepaid insurance	325,748	290,036
Total current assets	14,637,352	12,348,899
RESTRICTED ASSETS (cash and investments):		
Water revenue bond current debt service cash with fiscal agent	580,479	607,387
Water revenue bond current debt service investment account	1,084,100	1,159,859
Water revenue bond future debt service reserve account	1,881,569	1,768,220
Construction - cash	1,964,279	1,458,855
Construction - investments	7,378,298	11,205,229
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	103,941	73,230
Customer meter deposits investments	850,000	850,000
Total restricted assets	14,042,666	17,322,780
PROPERTY, PLANT AND EQUIPMENT:		
at cost (net of accumulated depreciation of \$44,104,589 for 2008 and \$42,034,255 for 2007)	58,861,126	55,159,202
TOTAL ASSETS	\$ 87,541,144	\$ 84,830,881
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 419,323	\$ 277,158
Retainage payable	325,756	704,676
Due to other entities for water sale collections	107,974	106,496
CURRENT LIABILITIES (payable from restricted assets):		
Bonds due within one year	1,575,000	1,505,000
Interest accrued	580,479	607,387
Customer meter deposits	953,775	922,925
Total current liabilities	3,962,307	4,123,642
LONG-TERM DEBT		
Bonds due after one year (net of unamortized discount and deferral of \$843,915 for 2008 and \$934,354 for 2007)	26,916,085	28,400,646
Total liabilities	30,878,392	32,524,288
NET ASSETS		
Invested in capital assets, net of related debt	40,364,643	37,777,749
Restricted for:		
Customer Deposits	963,941	923,230
Capital Projects	1,152,975	1,864,891
Debt Service	1,390,669	1,423,079
Unrestricted	12,800,524	10,317,644
Total net assets	56,662,752	52,308,593
TOTAL LIABILITIES AND NET ASSETS	\$ 87,541,144	\$ 84,830,881

See Notes to Financial Statements.

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STATE OF LOUISIANA**

Comparative Statement of Revenues, Expenses and Changes in Net Assets
Water Enterprise Fund

For the years ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES:		
Metered sales to regular customers	\$ 10,841,114	\$ 11,050,943
Metered sales to industrial and municipal customers	25,344	26,771
Connection charges and other revenues	658,500	619,887
	11,524,958	11,697,601
OPERATING EXPENSES:		
Water purchased for resale	33,185	29,818
Water treatment expenses	3,009,507	2,977,699
Transmission and distribution expenses	1,524,573	1,636,454
Customer accounts expenses	854,407	756,611
Administrative and general expenses	1,209,259	1,191,459
Depreciation of utility system	2,488,995	2,286,399
	9,119,926	8,878,440
Income from operations	2,405,032	2,819,161
NON-OPERATING REVENUE:		
Investment income	860,431	863,996
Ad Valorem taxes	1,609,003	1,476,412
Shared revenue	53,310	50,468
Other income	2,225	2,276
	2,524,969	2,393,152
NON-OPERATING EXPENSES:		
Interest on bonds	1,187,866	1,067,330
Amortization of debt discount and expense	90,439	105,031
(Gain) loss on sale of fixed assts	427,518	(25,240)
(Gain) loss on investments	(293,821)	(241,903)
	1,412,002	905,218
Income or loss before contributions	3,517,999	4,307,095
Capital contributions	838,160	1,064,409
Change in net assets	4,356,159	5,371,504
Net Assets:		
Beginning of year	52,306,593	46,935,089
End of year	\$ 56,662,752	\$ 52,306,593

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers	\$ 11,548,373	\$ 11,782,523
Cash payments to suppliers for goods and services	(4,336,753)	(4,046,779)
Cash payments made to employees for services	(2,528,210)	(2,348,744)
Net cash provided (used) by operating activities	4,683,410	5,387,000
Cash flows from noncapital financing activities:		
Ad valorem taxes received	1,609,003	1,476,412
Revenue sharing grant	53,310	50,468
Other noncapital financing revenue	2,225	2,276
Net cash provided (used) by noncapital financing activities	1,664,538	1,529,156
Cash flows from capital and related financing activities:		
(Acquisition) sale of capital assets	(5,352,759)	(7,503,923)
Gain / (Loss) on sale/abandoned assets	(427,518)	25,240
Bond Proceeds	-	10,000,000
Bond issue costs paid/amortized	-	(76,374)
Principal paid on revenue bond maturities	(1,505,000)	(1,145,000)
Interest paid on revenue bonds	(1,214,774)	(885,259)
Net cash provided (used) for capital and related financing activities	(8,500,051)	414,684
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investments	1,798,482	(8,561,415)
Gain (loss) on sale of investments	293,821	241,903
Interest and dividends on investments	860,431	863,996
Net cash provided (used) by investing activities	2,952,734	(7,455,516)
Net increase (decrease) in cash and cash equivalents	800,631	(124,676)
Cash and cash equivalents at the beginning of year	5,177,243	5,301,919
Cash and cash equivalents at the end of year	\$ 5,977,874	\$ 5,177,243
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 2,245,075	\$ 1,877,912
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service with fiscal agent	580,479	607,387
Water revenue bond current debt service account	1,084,100	1,159,859
Construction account	1,964,279	1,456,855
Customer meter deposits	103,941	73,230
	\$ 5,977,874	\$ 5,177,243
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 2,405,032	\$ 2,819,161
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,488,995	2,286,399
Changes in assets and liabilities:		
(Increase) decrease in receivables	(7,435)	58,327
(Increase) decrease in inventory	36,957	(79,162)
(Increase) decrease in prepaid insurance	(35,712)	32,228
Increase (decrease) in accounts payable	143,643	(70,504)
Increase (decrease) in contracts and retainage payable	(378,920)	313,956
Increase (decrease) in customer deposits	30,850	26,595
Total adjustments	2,278,378	2,567,839
Net cash provided (used) by operating activities	\$ 4,683,410	\$ 5,387,000
Noncash investing and financing activities:		
Acquisitions of fixed assets through capital contributions	\$ 838,160	\$ 1,064,409

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

Water District No. 1 of the Parish of Lafourche, State of Louisiana, (the District) was created by the Police Jury of the Parish of Lafourche in accordance with the provisions of Act 343 of the Louisiana Legislature. The Board of Commissioners consists of 11 members who serve for an indefinite term, at the pleasure of the Lafourche Parish Council.

The District's boundaries encompass the entire Parish of Lafourche, except for the City of Thibodaux. The services provided include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the utilities are described below:

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity

Based on the following criteria the District is considered a component unit of the Lafourche Parish Council.

The financial statements include all accounts of the District's operations. The criteria for including organizations as component units as a reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Council holds the Corporate powers of the organization
- The Council appoints the voting majority of the Board of Commissioners
- The Council is able to impose its will on the organization
- The entity is able to impose a financial benefit/burden on the Council
- There is a fiscal dependency by the organization on the Council

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

Method of Accounting

The financial statements of the District are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the District has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

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 operating revenues of the District come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. 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.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 1 Summary of Significant Accounting Policies (Continued)

Inventories

Materials and supplies inventory is valued at cost using the first-in/first-out method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$500 and are reported at cost. Donated or contributed assets are reported at fair market value at the time of contribution to the District. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the plant constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7 - 44 years
Transmission and Distribution System	3 - 44 years
Distribution and Maintenance	5 - 10 years
Administration and Office Buildings	25 - 30 years
Furniture and Equipment	3 - 8 years
Transportation Equipment	3 years

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 1 Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities.

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.

Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.

All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31st of each year shall be lost. The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$28,348 is included in accounts payable and accrued expenses on the Comparative Statement of Net Assets.

Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond discounts and bond issuance costs are being amortized on the interest method over the term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the interest method, over the term of the related obligation. Bond discounts are presented as a reduction to revenue bonds on the accompanying financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 1 Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The District has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, end to pollution, terrorism risk, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 2 Stewardship, Compliance and Accountability

Budget Information

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 21, 2007 at the regular board meeting.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

Note 3 Deposits with Financial Institutions and Investments

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2008 and 2007, the carrying amounts of deposits were \$9,979,495 and \$8,208,529 and the bank balances were \$10,215,483 and \$8,576,197. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit risk is the risk that in an event of a bank failure, deposits may not be returned to the entity. As of June 30, 2008, \$9,813,993 of the bank balance of \$10,215,483 and as of June 30, 2007, \$8,270,108 of the government's bank balance of \$8,576,197 was exposed to custodial credit risk. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. 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.

FDIC and pledged securities valued at \$14,144,326 and \$13,422,689 for 2008 and 2007, respectively, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, R.S. 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 entity that the fiscal agent has failed to pay deposited funds upon demand.

Investments at June 30, 2008 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$3,048,379	\$3,048,379	Less than a year
U.S. agencies	9,259,867	9,241,396	Less than a year
TOTAL	12,308,246	12,289,775	
LAMP	3,852,356	3,852,356	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$16,160,602	\$16,142,131	

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 3 Deposits with Financial Institutions and Investments (continued)

Investments at June 30, 2007 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$2,618,714	\$2,618,714	Less than a year
U.S. agencies	12,973,449	12,938,963	Less than a year
TOTAL	15,592,163	15,557,677	
LAMP	3,337,256	3,337,256	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$18,929,419	\$18,894,993	

The District invests in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool, administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Most of the investments are for the construction project accounts and the district invests its moneys in short term maturity investments so as to have cash flows available to pay invoices on the construction projects as they become due and payable.

Credit Risk and Custodial Credit Risk. State law limits investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the District's policy to limit its investments in these investment types. As of December 31, 2007, the district's investment in LAMP was rated AAAM by Standard & Poor's.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

Note 3 Deposits with Financial Institutions and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District invests in structured financial instruments, which are held by an agent in the District's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2008 and 2007, the District held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the District will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost.

Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Management's intent is to hold these investments to maturity. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk; therefore, the district does not have to disclose credit risk for the U.S. Treasury Obligations and U.S. agencies since they carry the explicit guarantee of the U.S. government.

Note 4 Ad Valorem Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage
Water District Operations	3.81	3.81

Each November based on the assessed value of property as of the prior January 1 the Parish Assessor of Lafourche sends ad valorem tax bills. Billed taxes become delinquent on January 1 of the following year.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

Note 4 **Ad Valorem Taxes (continued)**

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the parish as of January 1, 2004. The assessed value for the property on January 1, on which the 2008 and 2007 levy was based, was approximately \$443,987,318 and \$400,715,328 respectively.

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents. The millage levied for the year June 30, 2008 and 2007 was 3.81 for both years. Tax collected as of June 30, 2008 and 2007 on the 2007 and 2006 tax levy was 97% and 98% respectively.

Note 5 **Deferred Compensation Plan**

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 100% of compensation, not to exceed \$15,500 for the 2007 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional \$5,000 in 2007 above the annual deferral limit.

During three years prior to normal retirement age as defined by the Plan, a participant may be eligible to contribute a "catch-up" amount if the participant did not contribute the maximum allowable amount during the years of eligibility in the Plan since January 1, 1979. This provision can not be used during the calendar year if the Age 50+ provision is elected, nor may a catch-up contribution be made during the calendar year of the normal retirement age, nor may a catch-up contribution be made if the participant previously participated in catch-up under this or any other Section 457 plan. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship.

The District has the responsibility for withholding and remitting contributions from participants to the plan. Great-West Life is the plan administrator and provides communication, record keeping of the accounts, and investment of the plan assets. All amounts of compensation deferred all property rights and rights purchased and all income, property, or rights held in trust for the exclusive benefit of the participants or their beneficiaries. The assets of the plan are not considered District assets, nor subject to claims or creditors of the District.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Notes to Financial Statements (Continued)
 For the years ended June 30, 2008 and 2007

Note 6 Capital Assets

Capital assets and depreciation as of and for the years ended June 30, 2008 and June 30, 2007, respectively, is as follows:

Description	Balance June 30, 2006	Net Additions (Dispositions) Reclassifications	Balance June 30, 2007	Net Additions (Dispositions) Reclassifications	Balance June 30, 2008
Capital assets, not being depreciated					
Land and Right of Way	\$ 952,583	-	\$ 952,583	-	\$ 952,583
Construction Projects In Progress	5,903,944	4,976,750	10,880,694	(5,310,028)	5,570,666
Total capital assets, not being depreciated	<u>6,856,527</u>	<u>4,976,750</u>	<u>11,833,277</u>	<u>(5,310,028)</u>	<u>6,523,249</u>
Capital assets, being depreciated					
Water Plant and Building	19,524,568	737,660	20,262,228	1,193,160	21,455,388
Transmissions and Distribution System	60,386,702	2,807,460	62,994,162	9,883,325	72,877,487
Distribution and Maintenance Equipment	679,491	79,695	759,186	(30,678)	728,508
Administration and Office Buildings	542,167	-	542,167	-	542,167
Furniture and Equipment	316,609	404	319,013	20,820	339,833
Transportation Equipment	471,493	11,831	483,424	15,658	499,082
Total capital assets, being depreciated	<u>61,923,030</u>	<u>3,437,150</u>	<u>85,360,180</u>	<u>11,082,285</u>	<u>96,442,465</u>
Accumulated Depreciation					
Water Plant and Building	(8,316,970)	(573,436)	(8,890,406)	(618,367)	(9,508,773)
Transmissions and Distribution System	(30,126,057)	(1,543,998)	(31,670,055)	(1,514,916)	(33,184,971)
Distribution and Maintenance Equipment	(497,422)	(46,151)	(543,573)	45,832	(497,741)
Administration and Office Buildings	(248,031)	(18,474)	(266,506)	(18,474)	(284,979)
Furniture and Equipment	(286,254)	(12,155)	(298,409)	(885)	(299,294)
Transportation Equipment	(427,555)	62,248	(365,307)	36,474	(328,833)
Total accumulated depreciation	<u>(39,902,289)</u>	<u>(2,131,966)</u>	<u>(42,034,255)</u>	<u>(2,070,336)</u>	<u>(44,104,591)</u>
Total capital assets, being depreciated net	<u>42,020,741</u>	<u>1,305,184</u>	<u>43,325,925</u>	<u>9,011,949</u>	<u>52,337,874</u>
Total capital assets, net	<u>\$ 48,877,268</u>	<u>\$ 6,281,934</u>	<u>\$ 55,159,202</u>	<u>\$ 3,701,921</u>	<u>\$ 58,861,123</u>
Depreciation Expense	<u>\$ 2,196,253</u>	<u>24</u>	<u>\$ 2,286,399</u>	<u>\$ 2,488,995</u>	<u>\$ 2,488,995</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2008 and 2007

Note 7 Long-Term Debt

A summary for the year ended June 30, 2008 and 2007 follows:

	July 1, 2006	Additions/ (Retirements)	June 30, 2007	Additions/ (Retirements)	June 30, 2008
Water Revenue Bonds Payable	\$21,985,000	\$(1,045,000)	\$30,840,000	\$(1,505,000)	\$29,335,000
Bond Issuance Costs	(307,392)	40,682	(341,174)	27,999	(313,175)
Deferral on Refunding	(655,620)	62,440	(593,180)	62,440	(530,740)
TOTAL	\$21,021,988	\$(941,878)	\$29,905,646	\$1,414,561	\$28,491,085

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2008 and 2007

Note 7 Long-Term Debt (Continued)

Water Revenue Bonds	2007	2008
Consisted of the following:		
\$10,000,000 Water Revenue Bonds dated January 1, 2002 with a Final maturity on July 1, 2021, And with interest at 4.2%	\$8,400,000	\$8,025,000
\$6,000,000 Water Revenue Bonds dated May 1, 2003 with a Final maturity on January 1, 2023 And with interest at 3.6%-4.6%	5,280,000	5,055,000
\$7,330,000 Water Revenue Refunding Bonds dated October 28, 2004 with a Final maturity on January 1, 2017 And with interest at 1.8% to 3.85%	7,160,000	6,555,000
\$10,000,000 Water Revenue Bonds dated December 1, 2006 with a Final maturity on January 1, 2027 and with Interest at 4.0% to 4.5%	10,000,000	9,700,000
TOTAL	\$30,840,000	\$29,335,000

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2008 and 2007

The annual requirements to amortize all bonds outstanding, including interest payments are as follows:

Year Ended June 30, 2007	Amount
2008	\$2,719,775
2009	2,735,958
2010	2,753,003
2011	2,760,818
2012	2,768,858
2013-2017	14,092,690
2018-2022	10,146,420
2023-2027	4,394,800
TOTAL	\$42,372,320

Year Ended June 30, 2008	Amount
2009	\$2,735,958
2010	2,753,003
2011	2,760,818
2012	2,768,858
2013	2,768,858
2014-2018	13,300,663
2019-2022	9,402,070
2023-2027	3,142,000
TOTAL	\$39,652,545

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

Note 8 **Flow of Funds; Restrictions on Use**

Under the terms of the bond indenture for each issue of Water Revenue Bonds, all income and revenues to be derived from the operation of the system are irrevocably and irreparably pledged in an amount sufficient for the payment of principal and interest on such bonds, and is set aside in the following manner:

- All revenue must be periodically deposited in the Revenue Fund to provide for payment of all reasonable and necessary expenses for administration, operation and maintenance.
- On or before the 20th day of each month, the District must set aside in a restricted bank account designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets - Water Revenue Bond Current Debt Service Account.
- For bonds issued October 1, 1996, January 1, 2002, May 3, 2003, October 28, 2004, and December 1, 2006 the District established and must maintain the "Reserve Fund", by transferring from bond proceeds, the sum that will equal at least equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the bonds.
- On or before the 20th day of each month, the District must deposit into a restricted bank account designated as the Renewal and Replacement Fund, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for extensions, additions, improvements, renewals, and replacement necessary to properly operate. Money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. The balance in this fund shall never be reduced below a minimum of \$15,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.
- All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount of operating expenses, is to be considered surplus and transferred to the Renewal and Improvements Fund. Such funds are to be used for extensions, additions, improvements, renewals, and replacements to the water system.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 9 Retirement Commitments

Plan Description and Provisions

All employees are members of the Parochial Employee's Retirement System of Louisiana (PERS) a cost sharing multiple-employer defined benefit pension plan. The System provides retirement benefits to an employee of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and elect to become members of the System. All members of the Parochial Employees' Retirement System are participants in either Plan A or Plan B. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

The District participates in Plan A. The types of benefits provided under this plan include:

Retirement Benefits

Any members can retire providing he/she meets one of the following criteria, if they were hired prior to January 1, 2007:

- At any age with 30 or more years of creditable service.
- Age 55 with 25 years of creditable service.
- Age 60 with a minimum of 10 years of creditable service.
- Age 65 with a minimum of 7 years of creditable service

If members were hired after January 1, 2007, a member can retire providing he/she meets one of the following criteria:

- 7 years and age 67
- 10 years and age 62
- 30 years and age 55

Survivor Benefits

Upon the death of any member of the plan with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Deferred Retirement Option Plan Benefits

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan for up to three years and defer the receipt of benefits.

Disability Benefits

A member hired prior to January 1, 2007 shall be eligible to retire and to receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. If a member was hired after January 1, 2007, shall be eligible to retire and to receive disability benefit if he/she has at least seven years of creditable service.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 9 Retirement Commitments (Continued)

The Parochial Employees' Retirement System of Louisiana was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. A Board of Trustees, an Administrative Director, an Actuary and Legal Council operate the System. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the United States.

The Parochial Employees' Retirement System issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619. (phone 985.928.1361)

Funding Policy

State Statute establishes member contributions. Employer contributions are actuarially determined every year determined by statutory process.

For the current year the required contribution rate for active plan members is 9.50% of payroll. The actuarially required net direct employer contributions as a percentage of payrolls were determined to be 12.75% for 2006 and 13.25% for 2007 and 2008. Member and employer contributions for the year ending June 30, 2008 were \$219,859 and \$323,209, June 30, 2007 were \$214,537 and \$300,941, respectively.

In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax collected by the tax roll of each respective parish excepting Orleans parish and East Baton Rouge Parish and remits the money to the System on an annual basis.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

Note 10 Post Employment Benefits

Employees with twenty-five (25) years of service or more are eligible for group health coverage as follows:

- Retirees with 25 of service, but less than 30 years of service will be responsible for the total premium for health insurance coverage. The insurance coverage will be available to the retiree for ten (10) years or until his/her 65th birthday or until such time as the retiree becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan.
- Retirees with 30 years of service or more will be responsible for a percentage of the premium and the District will pay a percentage of the premium. The retiree's percentage of the premium will be determined annually by the Board. The insurance coverage will be available to the retiree for ten (10) years from retirement or until such time as the employee becomes eligible for another group plan. or until his/her 65th birthday or until such time as the retiree becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan.

The coverage is for available upon retirement only. Coverage for a retiree cannot be reinstated once it is dropped or a retiree is not considered eligible.

Retirees that wish to continue group coverage with the district shall be required to pay one month premium in advance upon retiring. Retiree's monthly premium payments (whether the retiree is responsible for all or a portion of the premium) must be received by the 10th of the month or coverage will terminate if premium is not received by the 30th.

Information on the benefits paid follows:

	2007	2008
Premiums paid by the District	\$ 13,032	\$14,103
Number of retirees	6	7

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Note 12 Construction Commitments

Construction commitments at June 30, 2008 are as follows:

Project	Total Estimated Cost (1)	Costs incurred to 6/30/08
Water Replacement - Along West 79 th St.	\$141,511	-
Waterline Replacement Along West 161 st St	384,400	-
8" Waterline Replacement along Robert Drive & Kraemer Bayou Road	371,703	368,385
8" Waterline Replacement Along West 26 th St	356,192	348,797
12" Waterline Ext Along Adam "Ted" Gisclair Rd	146,690	65,850
Additional Sludge Lagoons – North & South Plant	1,065,827	185,818
18" Waterline from Leeville Bst to G. Meadow Floodgate	2,101,010	2,091,543
18" Waterline from G. Meadow Floodgate to G. Meadow Bst	2,074,817	839,200
12" Waterline from West Thibodaux Bst to New Bayou Crossing	227,286	-
Generator Storage Facility – North Plant	356,000	330,800
Leeville Tank Cleaning & Painting	431,658	205,184
South Plant Intake Structure No. 2 Screen Repairs	153,659	153,659
South Plant Window Replacement – Phase 3	40,160	40,160
Fume Hood Systems – North & South Plants	84,700	-
Totals	\$7,935,613	\$4,629,396

(1) Approved budget

Note 13 Commitments and Contingencies

The District abandoned the State Project Phase 1B Bayou Crossing that was completed during the current fiscal year due to construction problems incurred by outside contractors. The District is currently assessing options to recover the cost to remedy the abandoned project.

***REQUIRED SUPPLEMENTAL
INFORMATION***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Per Diem and Compensation of Board of
Commissioners
June 30, 2008**

During the year the Board of Commissioners held twelve meetings. Board members were compensated as follows:

• Mr. Sidney Triche, President	\$ -0-
• Mr. Richard Bollinger, Vice-President	\$ -0-
• Mr. Harvey Robichaux, Secretary/Treasurer	\$ 600
• Mr. Numa Breaux, Commissioner	\$ -0-
• Mrs. Doris Cochran, Commissioner	\$ -0-
• Mr. Gus Cheramie, Commissioner	\$ -0-
• Mr. Manuel Delatte, Commissioner	\$ -0-
• Mr. Eric Roundtree, Commissioner	\$ -0-
• Mr. Louis Thibodaux, Commissioner	\$ -0-
• Mr. Robert Pontif, Jr., Commissioner	\$1,050
• Mr. Morris Guidry, Commissioner	\$ -0-

***OTHER SUPPLEMENTAL
SCHEDULES***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Comparative Statement of Operating Expenses
Water Enterprise Fund

For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Water Purchased for Resale	<u>\$ 33,185</u>	<u>\$ 29,818</u>
Water Treatment Expenses:		
Pumping Operations	890,511	999,594
Pumping Maintenance	18,433	9,424
Purification Operations	1,333,320	1,260,543
Purification Maintenance	<u>767,243</u>	<u>708,138</u>
Total Water Treatment Expenses	<u>3,009,507</u>	<u>2,977,699</u>
Transmission and Distribution Expenses:		
Distributions Operations	877,250	777,526
Distribution Maintenance	<u>647,323</u>	<u>858,928</u>
Total Transmission and Distribution Expenses	<u>1,524,573</u>	<u>1,636,454</u>
Customer Accounts Expenses:		
Customer Operations Expense	<u>854,407</u>	<u>756,611</u>
Total Customer Accounts Expense	<u>854,407</u>	<u>756,611</u>
Administrative and General Expenses:		
General Operating & Office Expense	979,545	978,461
Maintenance - General Property and Equipment	<u>229,714</u>	<u>212,998</u>
Total Administrative and General Expenses	<u>1,209,259</u>	<u>1,191,459</u>
Depreciation of Utility System	<u>2,488,995</u>	<u>2,286,399</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 9,119,926</u></u>	<u><u>\$ 8,878,440</u></u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2008 and 2007

Revenue Fund

	<u>2008</u>	<u>2007</u>
Cash Balance, July 1	\$ 1,823,935	\$ 1,664,081
Receipts:		
From Customers	11,934,440	12,134,925
Interest Earned	837,821	340,973
Transfers from Other Accounts	1,670,940	1,558,784
Others	<u>1,594,207</u>	<u>497,568</u>
	<u>16,037,408</u>	<u>14,532,250</u>
Disbursements:		
Operating Expense	9,595,925	8,725,161
Transfers to Other Accounts	<u>6,236,903</u>	<u>5,647,235</u>
	<u>15,832,828</u>	<u>14,372,396</u>
Cash Balance, June 30	<u>\$ 2,028,515</u>	<u>\$ 1,823,935</u>

Maintenance and Operating Fund

Cash Balance, July 1	\$ 4	\$ 5
Receipts:		
Ad Valorem Taxes (Net)	1,609,003	1,476,412
Revenue Sharing	<u>53,310</u>	<u>50,468</u>
Total	<u>1,662,313</u>	<u>1,526,880</u>
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	<u>1,662,310</u>	<u>1,526,881</u>
Cash Balance, June 30	<u>\$ 7</u>	<u>\$ 4</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2008 and 2007

Renewal and Improvements Fund

	<u>2008</u>	<u>2007</u>
Cash Balance, July 1	\$7,989,919	\$7,171,673
Revenues:		
Interest Earned	124,410	234,034
Transfer from:		
Revenue Fund	6,193,200	5,639,582
Construction Fund	3,864,757	2,672,294
Renewal & Improvements Investments	1,400,000	1,505,675
	<u>11,582,367</u>	<u>10,051,585</u>
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	<u>9,504,700</u>	<u>9,233,339</u>
Cash Balance, June 30	<u>\$10,067,586</u>	<u>\$7,989,919</u>

Summary of Cash and Investments - Current Assets

Revenue Fund	\$2,028,515	\$1,823,935
Maintenance and Operation Fund	7	4
Renewal and Improvements Fund	10,067,586	7,989,919
Refund Clearing	23	10
Payroll Clearing	100	100
Cash on Hand	700	700
Cash on Deposit -		
Collection Agent Accounts	500	500
Cash and Temporary Cash Investments - Current Assets	<u>\$12,097,431</u>	<u>\$9,815,168</u>
Unrestricted Cash and Cash Equivalents	\$ 2,245,075	\$ 1,877,912
Unrestricted Investments	9,852,356	7,937,256
	<u>\$12,097,431</u>	<u>\$ 9,815,168</u>

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Statement of Cash Receipts and Disbursements - Restricted Assets
 For the years ended June 30, 2008 and 2007

	Current Debt Service Accounts		Future Debt Service Accounts		2007 Construction	2007 Contingency	2008 Total	2007 Total
	Bond Fund	Bond Reserve	Bond Reserve	Bond Contingency				
Cash and investments								
July 1	\$ 1,767,246	\$ 1,768,220	\$ 3,312,632	\$ 9,351,452.00	\$ 200,000	\$ 923,230	\$ 17,322,780	\$ 9,864,150
Receipts:								
Interest earned	62,938		43,255	322,387		2,309	430,889	316,116
Customer deposits						147,745	147,745	149,610
Discounts	2,831		73,355	104,253		180,439	180,439	926,297
Bond Proceeds								10,000,000
Transfers from:								
Bond Fund		3,353,180					3,353,160	1,768,222
Bond Reserve	2,692,868						2,692,866	1,639,830
Water Revenue Fund								
Total receipts	<u>2,759,635</u>	<u>3,353,180</u>	<u>116,610</u>	<u>426,640</u>	<u>-</u>	<u>150,084</u>	<u>6,605,098</u>	<u>14,799,075</u>
Disbursements:								
Fees/Claims								60,862
Principal	1,505,000						1,505,000	1,145,000
Interest	1,214,775						1,214,775	865,269
Refund of customer deposits						7,485	7,485	10,160
Premiums								
Transfers to:								
Renewal and Improvements Fund			3,125,124	739,633			3,864,757	2,872,295
Bond Reserve								737,000
Bond Fund		3,239,811					3,239,811	1,714,644
Water Revenue Fund	141,527					111,858	253,385	115,415
Total disbursements	<u>2,861,302</u>	<u>3,239,811</u>	<u>3,125,124</u>	<u>739,633</u>	<u>-</u>	<u>119,343</u>	<u>10,095,213</u>	<u>7,340,445</u>
Cash and investments								
June 30	\$ 1,864,679	\$ 1,861,569	\$ 304,118	\$ 9,038,459	\$ 200,000	\$ 953,841	\$ 14,042,566	\$ 17,322,780

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
 Schedule of Maturities
 \$10,000,000 Water Revenue Bonds, Series 1996
 Dated: October 1, 1996

Date of Maturity	Amount	Date of Maturity	Amount
01/01/1998	\$80,000	01/01/2008	\$500,000
01/01/1999	80,000	01/01/2009	535,000
01/01/2000	85,000	01/01/2010	565,000
01/01/2001	85,000	01/01/2011	600,000
01/01/2002	470,000	01/01/2012	640,000
01/01/2003	495,000	01/01/2013	680,000
01/01/2004	530,000	01/01/2014	720,000
01/01/2005	580,000	01/01/2015	765,000
01/01/2006	445,000	01/01/2016	810,000
01/01/2007	475,000	01/01/2017	860,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2008, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2007, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2007, at the redemption prices stated herein.

On October 28, 2004, bonds maturing January 1, 2008 and thereafter were called for redemption with the Water District issuing Water Revenue Refunding Bonds in an amount of \$7,330,000.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Maturities
\$10,000,000 Water Revenue Bonds, 2002 Series
Dated: January 1, 2002

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2003	\$285,000	01/01/2013	\$490,000
01/01/2004	305,000	01/01/2014	515,000
01/01/2005	320,000	01/01/2015	545,000
01/01/2006	335,000	01/01/2016	575,000
01/01/2007	355,000	01/01/2017	605,000
01/01/2008	375,000	01/01/2018	640,000
01/01/2009	395,000	01/01/2019	675,000
01/01/2010	420,000	01/01/2020	715,000
01/01/2011	440,000	01/01/2021	750,000
01/01/2012	465,000	01/01/2022	795,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2013, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2012, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2012, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$6,000,000 Water Revenue Bonds, 2003 Series

Dated: May 1, 2003

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2004	\$120,000	01/01/2014	\$300,000
01/01/2005	190,000	01/01/2015	315,000
01/01/2006	200,000	01/01/2016	330,000
01/01/2007	210,000	01/01/2017	345,000
01/01/2008	225,000	01/01/2018	365,000
01/01/2009	235,000	01/01/2019	380,000
01/01/2010	245,000	01/01/2020	400,000
01/01/2011	260,000	01/01/2021	420,000
01/01/2012	270,000	01/01/2022	440,000
01/01/2013	285,000	01/01/2023	465,000
		TOTAL	\$6,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2014, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2013, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2013, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$7,330,000 Water Revenue Refunding Bonds, 2004 Series

Dated: October 28, 2004

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2006	\$65,000	01/01/2012	\$695,000
01/01/2007	105,000	01/01/2013	725,000
01/01/2008	605,000	01/01/2014	750,000
01/01/2009	630,000	01/01/2015	780,000
01/01/2010	650,000	01/01/2016	810,000
01/01/2011	670,000	01/01/2017	845,000
		TOTAL	\$7,330,000

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity.

The Bonds are not callable for redemption by the Issuer prior to their stated maturities.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Maturities
\$10,000,000 Water Revenue Bonds, 2006 Series
Dated: December 1, 2006

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2008	\$300,000	01/01/2018	\$495,000
01/01/2009	315,000	01/01/2019	515,000
01/01/2010	335,000	01/01/2020	545,000
01/01/2011	350,000	01/01/2021	570,000
01/01/2012	365,000	01/01/2022	600,000
01/01/2013	385,000	01/01/2023	630,000
01/01/2014	405,000	01/01/2024	660,000
01/01/2015	425,000	01/01/2025	695,000
01/01/2016	445,000	01/01/2026	730,000
01/01/2017	470,000	01/01/2027	765,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity, in fully registered form.

The Bonds maturing January 1, 2018, and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after January 1, 2017 (but if in part, in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity), at the principal amount thereof, plus accrued interest from the most recent Interest Payment Date to which interest has been paid for duly provided for to the date fixed for redemption, plus a redemption premium of 1% if redeemed during the period from January 1, 2017 to December 31, 2022 or ½% if redeemed January 1, 2023 and thereafter.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Metered Water Customers
June 30, 2008
(Unaudited)**

All sales of water are metered. At June 30, 2008, there were 30,663 active metered customers.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Insurance in Force

June 30, 2008

(Unaudited)

Amount of Policy	Risks Covered	Insurer	Expiration Date
\$28,808,849 (per schedule)	Commercial Property Inland & Marine Deductible 3% No Min. Wind/Hail Deductible \$ 25,000 All Other Perils Includes Terrorism Coverage	Westport Insurance Corporation	03/01/09
\$ 50,000,000 (per schedule)	Boiler & Machinery Deductible \$1,000	National Union Fire Insurance Co.	03/01/09
\$ 1,000,000	General Liability	Westport Insurance Corporation	03/01/09
\$ 1,000,000	Automobile	Westport Insurance	03/01/09
\$ 1,000,000	(Uninsured Motorist)	Corporation	
\$ 10,000,000	Commercial Umbrella Liability Coverage	American International Speciality Lines Insurance Co.	03/01/09
\$ 1,000,000	Public Officials Errors & Omissions Deductible \$1,000 (E & O) Deductible \$1,000 (Empl. Prac.)	Capital Specialty Insurance Co.	03/01/09
\$ 50,000	Public Officials Oath Bond	Western Surety Company	03/01/09
\$ 250,000	Fidelity/Crime	Western Surety Co.	03/01/09
\$ 1,000,000	Worker's Compensation	Bridgefield Casualty	03/01/09
\$ 1,000,000	Pollution Liability	Steadfast Insurance Company	05/17/11

***REPORTS REQUIRED BY
GOVERNMENT AUDITING
STANDARDS***



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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
Water District No. 1 of the Parish of Lafourche,
State of Louisiana

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the year ended June 30, 2008, which comprise the basic financial statements, and have issued our report thereon dated September 11, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water District No. 1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Water District No. 1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a remote likelihood that a misstatement of the Water District No. 1's financial statements that is more than inconsequential will not be prevented or detected by the Water District No. 1's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Water District No.1's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Water District No. 1 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

Thibodaux, Louisiana
September 11, 2008



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2008 and have issued our report thereon dated September 11, 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.

Our audit of the financial statements as of June 30, 2008, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No

Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards – NONE

Internal Control

Material Weaknesses Yes No

Significant Deficiencies Yes No

Type of Opinion On Compliance Unqualified Qualified

Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133
Section .510(a)? Yes No

c. Identification of Major Programs – N/A

Section II - Financial Statement Findings

NONE

Section III - Federal Award Findings and Questioned Costs

NOT APPLICABLE

