

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED AUGUST 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/16/11

**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 business-type activities of 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, 2010, 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 the business-type activities of Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of August 31, 2010, 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 January 11, 2011 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

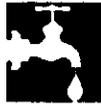
Our audit was conducted for the purpose of forming an opinion on Lafayette Parish Waterworks District South's financial statements taken as a whole. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, L.L.C.*

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

January 11, 2011  
Lafayette, Louisiana

## LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH



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### LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH Lafayette Parish Management's Discussion and Analysis (Unaudited) FYE August 31, 2010

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, 2010. 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 \$225,582 from \$4,479,155 in 2009 to \$4,704,737 in 2010, as a result of this year's operations.
- The District's operating revenues exceeded operating expenses by \$260,623 for the year ended August 31, 2010.
- Cash and cash equivalents decreased by \$221,339 for the year ended August 31, 2010.
- Changes to property, plant and equipment during the current year included: the transfer of \$1,608,599 from construction in progress due to completion of the 2006 Water System Improvements Project Contract No. 1.

#### ***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, 2010

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's net assets increased by \$225,582 between the fiscal years 2009 and 2010. 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 I  
SUMMARY OF NET ASSETS

	<u>2009</u>	<u>2010</u>	Percentage <u>Change</u>
Current and Other Assets	\$ 1,871,733	\$ 1,673,025	-10.62%
Capital Assets	<u>6,682,447</u>	<u>6,817,463</u>	2.02%
Total Assets	\$ 8,554,180	\$ 8,490,488	-0.74%
Current and Other Liabilities	\$ 372,678	\$ 347,287	-6.81%
Non-current Liabilities	<u>3,702,347</u>	<u>3,438,464</u>	-7.13%
Total Liabilities	\$ 4,075,025	\$ 3,785,751	-7.10%
Net Assets:			
Invested in Capital Assets,			
Net of Related Debt	\$ 3,453,058	\$ 3,664,536	6.12%
Restricted for Debt Service	601,093	646,852	7.61%
Unrestricted	<u>425,004</u>	<u>393,349</u>	-7.45%
Total Net Assets	\$ <u>4,479,155</u>	\$ <u>4,704,737</u>	5.04%

Net assets for the District increased by 5.04 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, 2010

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

TABLE 2  
SUMMARY OF CHANGES IN NET ASSETS

	<u>2009</u>	<u>2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Operating -			
Charges for Services	\$ 1,286,095	\$ 1,397,190	8.64%
Non-Operating -			
Membership Fees	6,500	4,750	-26.92%
Installation Fees	37,050	51,335	38.56%
Contributed Infrastructure	198,000	46,955	-76.29%
Miscellaneous Income	2,470	2,854	15.55%
Interest Income	25,682	2,738	-89.34%
Gain on Disposition of Asset	-	1,000	100.00%
Total Revenues	<u>\$ 1,555,797</u>	<u>\$ 1,506,822</u>	-3.15%
<b>Expenses:</b>			
Operating	1,083,610	1,136,567	4.89%
Non-Operating -			
Interest	150,799	141,099	-6.43%
Amortization of Debt Expense	3,541	3,571	0.85%
Total Expenses	<u>1,237,950</u>	<u>1,281,237</u>	3.50%
Change in Net Assets	<u>\$ 317,847</u>	<u>\$ 225,585</u>	-29.03%

The District's total revenues decreased by 3.15 percent in 2010. Total expenses increased due to an increase in the amount of water purchased during the year and an overall increase in operating expenses.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At August 31, 2009 and 2010, the District had \$8,477,444 and \$8,790,559, 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 \$313,115 during 2010. Accumulated depreciation on these capital assets was \$1,794,997 and \$1,973,096, respectively, for these years.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2010

Long Term Debt

At August 31, 2010, the District had \$3,716,000 in bonds outstanding versus \$3,968,000 at August 31, 2009.

TABLE 3  
OUTSTANDING DEBT AT YEAR-END

	<u>2009</u>	<u>2010</u>	Percentage <u>Change</u>
<b>Water Revenue Refunding Bonds:</b>			
Current Portion	\$ 252,000	\$ 265,000	5.16%
Long-term Portion	<u>3,716,000</u>	<u>3,451,000</u>	-7.13%
Total	<u>\$ 3,968,000</u>	<u>\$ 3,716,000</u>	-6.35%

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In March, 2010, LPWDS adjusted rates from \$2.65 per 1,000 gallons to \$2.90 per 1,000 gallons.

***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, 2010

*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, 2010.

Residential Customers	3,557
Commercial Customers	<u>18</u>
Total	3,575

The water rates of the Lafayette Parish Waterworks District South as of August 31, 2010 are as follows:

- ¾" Meter - \$15.00 for the first 2,000 gallons, \$2.90 per 1,000 gallons thereafter
- 1" Meter - \$25.00 per month plus \$2.90 per 1,000 gallons used
- 1½" Meter - \$30.00 per month plus \$2.90 per 1,000 gallons used
- 2" Meter - \$60.00 per month plus \$2.90 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, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 790,245
Accounts Receivable (Net of Allowance for Doubtful Accounts)	176,354
Inventories	31,732
Prepaid Insurance	<u>2,527</u>
Total Current Assets	<u>1,000,858</u>

**RESTRICTED ASSETS**

Cash - Restricted	
Water Revenue Bond and Interest Sinking Fund	72,347
Water Revenue Reserve Fund	259,803
Water Depreciation and Contingency Fund	<u>314,702</u>
Total Restricted Assets	<u>646,852</u>

**DEFERRED CHARGES**

Unamortized Debt Expense	<u>25,315</u>
Total Deferred Charges	<u>25,315</u>

**PROPERTY, PLANT AND EQUIPMENT**

Water District System	7,251,520
Water Treatment Plant	226,452
Water Line and Wells	319,807
Water Meters	651,564
Automobiles	37,811
Equipment	92,698
Office Equipment	60,634
Buildings	<u>40,571</u>
Total	8,681,057
Less: Accumulated Depreciation	<u>(1,973,096)</u>
Total	<u>6,707,961</u>

Land	89,165
Construction in Progress	<u>20,337</u>
Total	<u>109,502</u>
Net Property, Plant and Equipment	<u>6,817,463</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 8,490,488</u></b>
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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, 2010**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 39,158
Payroll Taxes Payable	4,505
Sales Tax Payable	779
Renters' Deposits	28,625
Due to State of Louisiana	115
Total Current Liabilities	73,182

**CURRENT LIABILITIES (Payable from Restricted Assets)**

Accrued Interest	9,105
Current Portion of Revenue Bonds	265,000
Total Current Liabilities (Payable from Restricted Assets)	274,105

**NON-CURRENT LIABILITIES**

Revenue Bonds Payable - Less Current Portion	3,451,000
Less: Unamortized Loss on Reaquired Debt	(12,536)
Total Non-Current Liabilities	3,438,464

**TOTAL LIABILITIES**

3,785,751

**NET ASSETS**

Invested in Capital Assets, net of Related Debt	3,664,536
Restricted for Debt Service	646,852
Unrestricted	393,349
Total Net Assets	4,704,737

**TOTAL LIABILITIES AND  
NET ASSETS**

\$ 8,490,488

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, 2010**

<b>OPERATING REVENUES</b>	
Charges for Services -	
Water Sales	\$ 1,332,109
Connection Fees	23,840
Late Fees	<u>41,241</u>
Total Operating Revenues	<u>1,397,190</u>
<b>OPERATING EXPENSES</b>	
Scheduled	942,415
Depreciation	<u>194,152</u>
Total Operating Expenses	<u>1,136,567</u>
Operating Income	<u>260,623</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Membership Fees	4,750
Installation Fees	51,335
Contributed Infrastructure	46,955
Miscellaneous Income	2,854
Interest Income	2,738
Interest Expense	(141,099)
Amortization of Debt Expense	(1,642)
Amortization of Loss on Reacquired Debt	(1,932)
Gain on Disposition of Asset	<u>1,000</u>
Total Non-Operating Revenues (Expenses)	<u>(35,041)</u>
<b>CHANGE IN NET ASSETS</b>	225,582
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,479,155</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,704,737</u>

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, 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Service Users	\$ 1,373,594
Cash Payments for Goods and Services	(801,288)
Cash Paid to Employees for Service	<u>(180,401)</u>
Net Cash Provided By Operating Activities	<u>391,905</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Membership Fees	4,750
Proceeds from Installation Fees	51,335
Proceeds from Sale of Property, Plant and Equipment	1,000
Other Proceeds	2,854
Acquisition and Construction of Property, Plant and Equipment	(282,212)
Principal Paid on Revenue Bonds	(252,000)
Interest Paid on Revenue Bonds	<u>(141,709)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(615,982)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Interest Received	<u>2,738</u>
Net Cash Provided by Investing Activities	<u>2,738</u>
NET DECREASE IN CASH	(221,339)
CASH AT END OF YEAR (including restricted cash of \$601,093)	<u>1,658,436</u>
CASH AT END OF YEAR (including restricted cash of \$646,852)	<u>\$ 1,437,097</u>

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, 2010**

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

Operating Income	\$ 260,623
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	194,152
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(30,252)
Inventories	329
Prepaid Insurance	(236)
Prepaid Expenses	5,070
Accounts Payable	(39,274)
Payroll Taxes Payable	293
Renters Deposits	<u>1,200</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 391,905</u>

**NON-CASH FINANCING ACTIVITIES:**

Contributed Infrastructure	<u>\$ (46,955)</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, 2010**

**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 District 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 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, 2010 was \$44,925.

**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, 2010**

**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:

	Years
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, 2010 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, 2010 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.

**Inventories** - Inventories are valued at cost. The costs of inventories in governmental fund types are recorded as expenditures when consumed rather than when purchased.

**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, 2010**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net Assets** – In the financial statements, equity is classified as net assets and displayed in three components:

*Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to acquisition, construction, or improvement of those assets.

*Restricted 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.

*Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**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.

**Compensated Absences** – All full-time employees of the District earn annual leave in amounts from 0 to 20 days per year based on years of service. Annual leave shall be used or surrendered in the period in which it is earned. Upon termination, employees are paid for all accumulated annual leave.

Excused absences are earned by full-time employees of the District in the amounts of 0 to 5 days per year based on years of service. Excused absences include illness, funeral leave, court appearances or other preapproved appointments. Excused time is surrendered if not used during the year. Upon separation unused excused time will not be paid to the employee.

**Post-Employment Benefits** – As a component unit of the Consolidated Government of Lafayette, Louisiana, the District was required to implement GASB Statement No. 45 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions for the year beginning September 1, 2007. The District does not offer any of these types of benefits to employees and therefore has no liability in relation to the implementation of the statement.

**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, 2010, the District has cash and interest-bearing deposits (book balances) totaling \$1,445,654.

**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, 2010**

**B. CASH AND INTEREST-BEARING DEPOSITS – continued**

*Custodial Credit Risk Relating to Deposits*

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, 2010, \$1,195,654, of the District's bank balances of \$1,445,654 was exposed to custodial credit risk as follows:

Bank Balances	\$	<u>1,445,654</u>
Federal Deposit Insurance	\$	250,000
Pledged Securities (Category 3)		<u>1,195,654</u>
 Total	 \$	 <u>1,445,654</u>

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.

**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, 2010**

**C. RESTRICTED ASSETS – continued**

**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.

**D. PROPERTY, PLANT AND EQUIPMENT**

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

	Beginning Balance 8/31/2009	Increases	Decreases	Ending Balance 8/31/2010
Water Distribution System	\$ 5,594,790	\$ 1,656,730	\$ -	\$ 7,251,520
Water Treatment Plant & Building	267,023	-	-	267,023
Water Lines, Wells and Meters	922,224	49,147	-	971,371
Office Equipment	59,398	1,237	-	60,635
Other Equipment	88,049	4,649	-	92,698
Automobiles	53,863	-	(16,053)	37,810
Less: Accumulated Depreciation	<u>(1,794,997)</u>	<u>(194,152)</u>	<u>16,053</u>	<u>(1,973,096)</u>
Net Property, Plant and Equipment	<u>\$ 5,190,350</u>	<u>\$ 1,517,611</u>	<u>\$ -</u>	<u>\$ 6,707,961</u>
Land	<u>\$ 15,000</u>	<u>\$ 74,165</u>	<u>\$ -</u>	<u>\$ 89,165</u>
Construction Work in Progress	<u>\$ 1,477,097</u>	<u>\$ 153,015</u>	<u>\$(1,609,775)</u>	<u>\$ 20,337</u>

Depreciation expense for the year ended August 31, 2010 was \$194,152.

The District has entered into a contract for construction of the 2006 Water System Improvements. Contract No. 1 was started in April 2008. The original contract amount is \$895,627 and change orders were approved totaling \$341,438 for a revised total contract amount of \$1,237,065. This project is 100% complete as of August 31, 2010, has been transferred from Construction in Progress to the Water Distribution System and is considered in service. As of the date of these financial statements, Contract No. 2 is in the preliminary phase and is expected to be put out for bid in March 2011 with construction to begin in May 2011.

**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, 2010**

**E. WATER REVENUE BONDS**

The following is a summary of the water revenue bonds transactions for the year ended August 31, 2010:

	Balance 8/31/2009	Additions	Reductions	Balance 8/31/2010	Due Within One Year
Serial Bond - 2002	\$ 1,422,000	\$ -	\$ 76,000	\$ 1,346,000	\$ 80,000
Serial Bond - 2004	756,000	-	63,000	693,000	66,000
Serial Bond - 2006A	87,000	-	5,000	82,000	5,000
Serial Bond - 2006B	<u>1,703,000</u>	<u>-</u>	<u>108,000</u>	<u>1,595,000</u>	<u>114,000</u>
Totals	<u>\$ 3,968,000</u>	<u>\$ -</u>	<u>\$ 252,000</u>	<u>\$ 3,716,000</u>	<u>\$ 265,000</u>

The District has three Water Revenue Bond issues outstanding at August 31, 2010.

Purpose	Issue Date	Balance At 8/31/2010
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	\$ 1,346,000
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	693,000
15 year Water Revenue Refunding Bonds Series 2006A, 4.58% interest, payable in annual installments of principal and interest, held by Iberia Bank	8/15/2006	82,000
15 year Water Revenue Bonds Series 2006B, 4.58% interest, payable in annual installments of principal and interest, held by Iberia Bank	8/15/2006	<u>1,595,000</u>
Total Principal Outstanding on Water Revenue Bonds		3,716,000
Unamortized Loss on Reacquired Debt		<u>(12,536)</u>
New Water Revenue Bonds Outstanding		<u>\$ 3,703,464</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, 2010**

**E. WATER REVENUE BONDS - Continued**

A summary of this debt is as follows:

Revenue bond debt service requirements to maturity are as follows:

<u>Years Ended August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	265,000	174,905	439,905
2012	277,000	162,570	439,570
2013	292,000	149,671	441,671
2014	306,000	136,078	442,078
2015	321,000	121,826	442,826
2016-2020	1,838,000	369,220	2,207,220
2021	<u>417,000</u>	<u>20,321</u>	<u>437,321</u>
Total	<u>\$ 3,716,000</u>	<u>\$ 1,134,591</u>	<u>\$ 4,850,591</u>

**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 \$452,969 of water from the Consolidated Government during 2010. At August 31, 2010, the District owed the Consolidated Government \$27,156.

**G. RISK MANAGEMENT**

The District is exposed to risks of loss in the areas of directors, officers and employee liability, general liability, property hazard 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, 2010**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>
John Hebert	November, 2013	President	108 Chamberlain Rayne, LA 70529 (337) 334-7164
Todd Guidry	October, 2011	Vice President	413 Lagneaux Road Duson, LA 70529 (337) 981-0755
Dave Young	October, 2012	Secretary/ Treasurer	237 Andover Road Duson, LA 70529 (337) 873-0499
Johnny Meaux	October, 2013	Board Member	112 Golden Grain Duson, LA 70529 (337) 319-3490
Fred Arsement	November, 2012	Board Member	620 Golden Grain Duson, LA 70529 (337) 984-4947

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, 2010**

Advertising	\$ 326
Automobile Allowance	4,800
Bad Debts	592
Bank Charges	2,739
Billing Service	22,741
Board Fees	2,400
Chemicals	344
Consulting and Engineering	7,978
Dues and Subscriptions	2,735
Employee Training	105
Employee Uniforms	1,630
Gas	11,389
Insurance	48,531
Labor	26,100
Legal and Accounting	17,530
Meter Reading Service	44,430
Miscellaneous	255
Office	3,041
Postage	566
Repairs and Maintenance	18,164
Salaries	180,401
Supplies	4,686
Payroll Taxes	14,788
Telephone	9,758
Utilities	3,311
Water Purchased	<u>513,075</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 942,415</u></b>

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

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CHRISTINE R. DUNN, CPA \*  
DAMIAN H. SPIESS, CPA, CFP \*

\* A PROFESSIONAL CORPORATION

JOE D. HUTCHINSON, CPA \* +  
M. TROY MOORE, CPA \* +  
MICHAEL G. DEHART, CPA, CVA, MBA \* +

+RETIRED



STEPHANIE A. BLANK, CPA  
ROBERT T. DUCHARME, II, CPA  
JUDITH FAULK, CPA  
STUART FLEMING, CPA  
MARY PATRICIA KEELEY, CPA  
JOAN MARTIN, CPA, CVA, CFE, DABFA  
TANYA L. MIGUES, CPA  
WENDY ORTEGO, CPA  
ROBIN G. STOCKTON, CPA  
BRIDGET B. TILLEY, CPA, MT  
ABBY T. TRAHAN, CPA, MS  
TINA B. VIATOR, CPA

## 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, 2010, and have issued our report thereon dated January 11, 2011. 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 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2010-1 and 2010-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies, 2010-1 and 2010-2.

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, L.L.C.*

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

January 11, 2011  
Lafayette, Louisiana

**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, 2010**

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, 2010, and have issued our report thereon dated January 11, 2011. 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, 2010 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	___ No
Significant Deficiencies	<u>  x  </u> Yes	___ No

Compliance

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

**2010-1 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.

**2010-2 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, inventory, 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, 2010**

**Section III – Federal Award Findings and Questioned Costs.**

This section is not applicable for the fiscal year ending August 31, 2010.

**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, 2010**

2009-1 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.

*Follow-up:*

This finding is unresolved – see current year finding 2010-1.

2009-2 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.

*Follow-up:*

This finding is unresolved – see current year finding 2010-2.

**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, 2010**

The Lafayette Parish Waterworks District South respectfully submits the following corrective action plan for the year ended August 31, 2010.

The finding from the August 31, 2010 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

Finding No. 2010-1

*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. 2010-2

*Recommendation:* The District should implement procedures to limit the number of reclassification entries necessary for financial statement preparation, recognize donated infrastructure, inventory, 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 John Hebert, President, Lafayette Parish Waterworks District South Board of Commissioners at (337) 989-9600.

Sincerely yours,

John Hebert  
President