

WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON

Certified Public Accountants

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* A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

We have audited the component unit financial statements of Lafayette Parish Waterworks District South, for the year ended August 31, 1996, and have issued our report thereon dated October 23, 1996. We have also audited the compliance of Lafayette Parish Waterworks District South with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether Lafayette Parish Waterworks District South complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended August 31, 1996, we considered Lafayette Parish Waterworks District South's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the entity's financial statements and on the compliance of Lafayette Parish Waterworks District South with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated October 23, 1996.

The management of the Lafayette Parish Waterworks District South is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorization, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions that are also considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be a material weakness as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Lafayette Parish Waterworks District South in a separate letter dated October 21, 1996.

This report is intended for the information of management and all appropriate regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Wright, Moore, Ingram,
Dupuis & Hutchinson*
WRIGHT, MOORE, INGRAM,
DUPLUIS & HUTCHINSON
Certified Public Accountants

October 21, 1996

VOID CHECKS

During our test of cash disbursements, we were unable to locate voided checks. All voided checks should be retained with the check stubs and the signature part of the check should be properly mutilated or destroyed.

ACCOUNTS RECEIVABLE/BAD DEBTS

As part of our audit of accounts receivable, we reviewed the number and dollar amount of outstanding bills. It was noted that the number and amount of accounts outstanding in excess of ninety (90) days has increased significantly from the previous year. The District should monitor these statistics and evaluate the collectibility of these accounts. Any accounts deemed uncollectible should be written-off directly against the allowance for bad debts account.

We wish to thank Galvin and Corrie Debus for their support and assistance during our audit.

This report is intended for the information of management and all appropriate regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

*Thayne Marie McHale,
Allison F. Hutchinson*

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the component unit financial statements of the Lafayette Parish Waterworks District South as of and for the year ended August 31, 1996, and have issued our report thereon dated October 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Lafayette Parish Waterworks District South, for the year ended August 31, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Lafayette Parish Waterworks District South is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure and to provide management with reasonable, but not absolute, assurance that events are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. We also performed tests of controls to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing and detecting irregularities that are material to the financial statements, and to preventing and detecting misstatements resulting from illegal acts and other non-compliance matters that have a direct and material effect on the financial statements. Our tests were less in scope than would be necessary to render an opinion on internal control structure policy and procedures. Accordingly, we do not express such an opinion.



LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDING AUGUST 31, 1966

FEDERAL GRANTOR/ASS- THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL-THROUGH GRANTOR'S NUMBER	AWARDED DATE	LOAN RECEIVED	EXPENDITURES

Department of Agriculture
Passed through Rural Economy
and Community Development
Administration
Contribution from (1)

18-418	NA			\$70,000	
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(1) Lafayette Parish Waterworks District South has two additional Water Revenue Bond issues outstanding as August 31, 1966, with Farmers Home Administration for \$675,000.

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

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

We have audited the component unit financial statements of Lafayette Parish Waterworks District South, for the year ended August 31, 1996, and have issued our report thereon dated October 21, 1996. These financial statements are the responsibility of 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 generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget (OMB) Circular A-128, "Audit of State and Local Governments." These standards and OMB Circular A-128 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.

Our audit was made for the purpose of forming an opinion on the financial statements of Lafayette Parish Waterworks District South, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit for the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Wright, Moore, DeHart,
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October 21, 1996



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56 OCT 30 1996

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A PROFESSIONAL CORPORATION

October 31, 1996

Lafayette Parish Waterworks
District South
Lafayette Parish, Louisiana

In planning and performing our audit of the financial statements of Lafayette Parish Waterworks District South for the year ended August 31, 1996, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 31, 1996, on the financial statements of Lafayette Parish Waterworks District South.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments and suggestions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

CASH RECONCILIATIONS

During the audit it was noted that only the Operating and Revenue accounts are reconciled on a regular basis. We suggest that a reconciliation be prepared on all bank accounts on a monthly basis and that all transactions be recorded not only in the manual register, but also in the General Ledger.

STALE CHECKS

During our review of cash reconciliations we noted several checks which have been outstanding for excessive time periods. The majority of these checks were for deposit refunds. We recommend that a system be devised where deposit refund checks which are outstanding be in excess of 120 days be voided and re-issued. Any re-issued checks which remain outstanding in excess of 120 days should be voided and the deposit considered forfeited.

WMDDH

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

We have audited the financial statements of Lafayette Parish Waterworks District South, as of and for the year ended August 31, 1996, and have issued our report thereon dated October 21, 1996.

We have also audited Lafayette Parish Waterworks District South's compliance with the requirements governing reporting that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended August 31, 1996. The management of Lafayette Parish Waterworks District South, is responsible for the Lafayette Parish Waterworks District South's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB)-Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Lafayette Parish Waterworks District South's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any material instances of noncompliance with the requirements referred to above.

In our opinion, Lafayette Parish Waterworks District South, complied, in all material respects, with the requirements governing reporting that are applicable to each of its major federal financial assistance programs for the year ended August 31, 1996.

This report is intended for the information of the management, and all appropriate regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

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Dupuis & Hutchinson*
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WMDDH

October 21, 1996

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

We have audited the financial statements of Lafayette Parish Waterworks District South, Lafayette, Louisiana, as of and for the year ended August 31, 1996, and have issued our report thereon dated October 21, 1996.

We have applied procedures to test Lafayette Parish Waterworks District South's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended August 31, 1996: political activity, civil rights, cash management, federal financial reports, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audit of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Lafayette Parish Waterworks District South's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Lafayette Parish Waterworks District South, had not complied, in all material respects, with those requirements.

This report is intended for the information of management, and all appropriate regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Wright, Moore, Delhart,
Dupuis & Hutchinson*
WRIGHT, MOORE, DELHART,
DUPUIS & HUTCHINSON
Certified Public Accountants

October 21, 1996



For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Cash
- Accounts receivable
- Prepaid insurance
- Property and equipment
- Payables
- Debt
- Retained earnings

Administrative Controls

- General
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial requirements
 - Administrative requirements
- Specific
 - Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended August 31, 1996, the Lafayette Parish Waterworks District South expended 100% of its total federal financial assistance under a major federal financial assistance program.

We performed tests of controls, as required by GAO Circular A-133, to evaluate the effectiveness of the design of operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements and requirements governing claims for advances and reimbursements. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that events or irregularities in accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We noted certain other matters involving the internal control structure and its operation that we have reported to the management of Lafayette Parish Waterworks District South in a separate letter dated October 21, 1996.

The notes are payable in forty (40) annual installments and the due date of the final installment is forty (40) years from the date of the note.

The District has also authorized shares in a note construction bond in the amount of \$431,000. Dates through August 31, 1996, have totaled \$78,980. The bond is payable in forty (40) annual installments of interest only for 1996 and 1997, and principal and interest from 1998 through 2035. The interest rate on the bond is 5.625% and the holder of the bond is KSCD.

The deposit funds are in Premier Bank which is an institution insured by the FDIC. The bank has insurance pledged as collateral to further secure the deposits of the Waterworks District.

The kinds and amounts of insurance coverage are included in a schedule attached to this letter.

The Lafayette Parish Waterworks District South is a component unit of the City-Parish of Lafayette. The basic entity being reported on is the Lafayette Parish Waterworks District South.

The Lafayette Parish Waterworks District South was issued a charter by the State of Louisiana and has since from the Parish of Lafayette on October 18, 1974. The Waterworks District's purpose is to provide a water system for the southern district of Lafayette Parish.

The total number of users is 1,313. Of this number, 1,318 are residential and 5 are commercial. All commercial users have a meter larger than the residential size.

Accounts receivable aging schedule is as follows:

Days	Amounts	Number of Accounts
0-30	\$28,928	1,320
31-60	221	14
61-90	92	8
91 and older	1,320	39
Unbilled Receivables	<u>30,561</u>	—
Total	41,828	1,371
Less: Allowance for Doubtful Accounts	<u>(968)</u>	
	<u>\$40,860</u>	

During the year, 87,822,808 gallons of water were produced and 24,804,980 gallons were purchased.

The present water rates are as follows:

Residential:	
2,808 Gallons Minimum	\$11.00
Over 2,808 Gallons (per thousand)	\$ 1.85

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEARS ENDED AUGUST 31, 1994 AND 1993

NOTE (6) - EXPANSION OF WATER LINES

Lafayette Parish Waterworks District South is currently expanding water lines to the rural southern portion of Lafayette Parish which does not have a community water system. The expansion requires the District to purchase water wholesale from the City of Lafayette to supply the target area. Estimated cost of construction of the proposed project is \$1,831,000 which is being financed through a \$600,000 Louisiana Community Development Block Grant and a \$431,000 FATHA/RCDD loan as described in Note (7)(4) below. The new service area is expected to be self-sustaining based on projected revenues and expenses.

NOTE (7) - NOTES PAYABLE

The Lafayette Parish Waterworks District South has three Water Revenue Bond issues outstanding at August 31, 1994 and 1993 as follows:

	<u>1994</u>	<u>1993</u>
(1) \$570,000 40 year Water Revenue Bonds - dated August 12, 1983, with 5% interest, payable in annual installments of principal and interest ranging from \$28,500 - \$31,000, through August 12, 2023. The bond holder is FATHA.	\$481,800	\$499,000
(2) \$280,000 40 year Water Revenue Bonds - dated October 6, 1983, with 7.625% interest, payable in annual installments of principal and interest of \$18,172 through August 12, 2027. The bond holder is FATHA.	189,668	191,183
(3) \$110,000 40 year Water Revenue Bonds - dated October 12, 1984 with 5% interest, payable in annual installments of principal and interest ranging from \$7,500 - \$8,430 through August 12, 2024. The bond holder is S&BMACO.	131,000	133,800
(4) Drawn on \$431,000 40 Year Water Revenue Bond Insurance, with interest at 5.625%, payable in annual installments of interest only for 1997 and principal and interest of \$21,500 through August 12, 2035. The bond holder is RCDD (formerly FATHA).	<u>20,500</u>	<u>-</u>
Total Notes Payable	872,968	815,183
Less: Current Maturities	<u>13,669</u>	<u>13,340</u>
Long-Term Debt	<u>\$859,299</u>	<u>\$801,843</u>

Commercial:

40,000 Gallons Minimum

\$75.00

Over 40,000 Gallons (per thousand)

\$ 1.80

High More Active
Alpine & Robinson
KIRBY, MOORE, DEHART,
DUPUIS & HUTCHINSON
Certified Public Accountants

October 21, 1986

LA FAYETTE PARISH WATERWORKS DISTRICT SOUTH
 SCHEDULE OF INSURANCE IN FORCE
 AUGUST 31, 1996
 (\$ IN THOUSANDS)

Insurer	Coverage	Risk Covered	Coverage Limits	Co-Insurance	Policy Period From	To
Spokane Drain Insurance Company	bodily injury and property damage	General Liability and Property Damage	\$100,000/100,000	None	6/22/95	6/25/96
Wild Contentional Casualty Insurance Company	bodily injury and property damage	General Liability and Property Damage	100,000/100,000	None	1/23/96	9/30/96
Amica	Fire	Structural / Fire Contents	20,000 10,000	80%	1/23/96	1/21/97
L.A. Williams's Corporation Corporation		Workers's compensation	Salary	None	6/24/96	6/24/97
Amica	Swamp Inund on First Street - Perils only		75,000	None	12/8/95	12/8/96
Amica	Swamp Inund on Coates Dallas - Bookkeeper		15,000	None	10/9/95	1/24/96
Amica	Swamp Inund on Coates Dallas - Bookkeeper		75,000	None	1/24/96	10/1/96

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
BOARD OF COMMISSIONERS
AS OF AUGUST 31, 1996**

Name	Term Expires	Title	Address and Telephone Number
Paul Simon	October, 1997	President	Rt. 3, Box 2636 Lafayette, LA 70508 (518) 984-5346
Alvin Dumas	October, 1998	Vice President	1821 Dumas Rd. Dumas, LA 70526 (518) 984-2997
George Villien	October, 2000	Secretary/ Treasurer	3147 E. Fieldman Dumas, LA 70529 (518) 983-3036
Bobby Dufren	November, 2001	Board Member	4211 South Ridgefield Rayne, LA 70578 (518) 833-8234
Aaron Dufren	October, 1996	Board Member	Rt. 1, Box 685 Maurice, LA 70353 (518) 873-6889

The Commissioners received two months' per diem of \$25 each for the year ended August 31, 1996.

This report is intended for the information of management and all appropriate regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Wright, McKee, Dehart,
Dupuis & Hutchinson*

WRIGHT, MCKEE, DEHART,
DUPUIS & HUTCHINSON
Certified Public Accountants

October 21, 1990

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

NOTE (C) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. BASIS OF ACCOUNTING - Continued

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled and billed utility receivables are recorded at year-end.

Purchases of operating supplies are reported as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

D. FIXED ASSETS AND LONG-TERM LIABILITIES

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" management basis. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund Types operating statements present increases (revenues) and decreases (expenses) in net total assets.

Interest costs during construction are not capitalized.

Property and equipment (including infrastructure assets), which represent assets of the Proprietary Fund are recorded at cost and depreciation is computed under the straight-line method. The service lives by type of asset are as follows:

Water Distribution System	40 years
Water Treatment Plant	3-40 years
Water Lines, Wells and Meters	3-40 years
Office Equipment	3-7 years

E. BUDGET ACCOUNTING

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

F. STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, all unrestricted highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
OPERATING REVENUES		
Water Sales	\$ 389,262	\$ 290,100
Connection Fees	3,278	3,120
Reconnection Fees	915	609
Late Fees	3,134	6,780
Installation Fees	23,678	25,850
Other Fees	<u>196</u>	<u>312</u>
Total Operating Revenues	440,453	325,751
LESS OPERATING EXPENSES (SCHEDULED)	286,106	190,826
OPERATING INCOME	154,347	134,925
NONOPERATING REVENUES (EXPENSES)		
Interest Income	14,812	11,724
Interest Expense	<u>(45,820)</u>	<u>(45,781)</u>
Total Nonoperating Revenues (Expenses)	(31,008)	(34,057)
NET INCOME	123,339	100,868
RETAINED EARNINGS, Beginning of Year	261,597	159,999
RETAINED EARNINGS, End of Year	\$ 484,938	\$ 260,867

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

BALANCE SHEET AUGUST 31, 1998 AND 1995

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>1995</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 3,132	\$ 5,117
Payroll Taxes Payable	135	113
Sales Tax Payable	<u>838</u>	<u>858</u>
Total Current Liabilities	<u>4,105</u>	<u>6,088</u>
CURRENT LIABILITIES-(Payable from Restricted Assets)		
Members' Deposits	7,180	6,808
Membership Fees Collected in Advance	21,980	20,608
Accrued Interest	2,146	2,985
Current Portion of Revenue Bonds	<u>17,658</u>	<u>13,242</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>48,964</u>	<u>43,643</u>
LONG-TERM LIABILITIES		
Revenue Bonds Payable - Less Current Portion	<u>158,808</u>	<u>161,641</u>
Total Liabilities	<u>311,937</u>	<u>311,374</u>
FUND EQUITY		
Contributed Capital		
Memberships	55,780	55,758
Capital Gains	<u>28,080</u>	<u>30,808</u>
Total Contributed Capital	<u>83,860</u>	<u>86,566</u>
Retained Earnings		
Reserve for Retirement and Contingencies	122,055	128,313
Unreserved	<u>151,738</u>	<u>233,289</u>
Total Retained Earnings	<u>273,793</u>	<u>361,592</u>
Total Fund Equity	<u>357,653</u>	<u>448,158</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,473,305</u>	<u>\$1,288,487</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

BALANCE SHEET AUGUST 31, 1996 AND 1995

ASSETS		1996	1995
CURRENT ASSETS			
Cash - Unrestricted			
Accounts Receivable (Net of Allowance for Doubtful Accounts)	\$ 393,815	\$ 269,238	
Prepaid Insurance	41,368	41,161	
Total Current Assets	<u>543</u>	<u>682</u>	
	<u>435,666</u>	<u>311,481</u>	
RESTRICTED ASSETS			
Cash - Restricted			
Water Revenue Bond and Interest Sinking Fund Money Market Account	18,324	17,165	
Water Revenue Reserve Fund Money Market Account	90,147	66,893	
Water Depreciation and Contingency Fund Money Market Account	88,508	83,437	
Membership Account	-	28,031	
Hotel Development Construction Account	2,946	-	
Customers' Deposits	<u>2,180</u>	<u>6,388</u>	
Total Restricted Assets	<u>193,965</u>	<u>171,243</u>	
PROPERTY, PLANT AND EQUIPMENT			
Water District System	380,593	308,394	
Water Treatment Plant	389,516	308,151	
Water Line and Wells	391,878	295,959	
Water Meters	48,714	33,724	
Office Equipment	<u>5,042</u>	<u>7,828</u>	
Total	<u>1,815,833</u>	<u>1,663,357</u>	
Less: Accumulated Depreciation	<u>1,282,680</u>	<u>1,261,582</u>	
Total	<u>533,153</u>	<u>401,775</u>	
Land	13,808	13,800	
Construction in Progress	<u>21,487</u>	<u>-</u>	
Net Property, Plant and Equipment	<u>568,448</u>	<u>415,575</u>	
TOTAL ASSETS		<u>\$1,415,181</u>	<u>\$1,288,401</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

STATEMENT OF CASH FLOWS - Continued
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$142,789	\$135,428
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	38,020	33,774
Changes in Assets and Liabilities		
Accounts Receivable, Net	395	(5,688)
Prepaid Insurance	148	(238)
Accounts Payable	1,813	530
Payroll and Sales Taxes Payable	<u>(158)</u>	<u>32</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$181,774</u>	<u>\$164,886</u>

This accompanying notes are an integral part of this statement.

WRIGHT, MOORE, DELMART, DUPUIS & HUTCHINSON

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• A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Lafayette Parish Waterworks District South, a component unit of the City-Parish of Lafayette, Louisiana, as of and for the years ended August 31, 1996 and 1995, as listed in the table of contents. These component unit financial statements are the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned component unit financial statements present fairly, in all material respects, the financial position of the Lafayette Parish Waterworks District South, as of August 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The information listed as "Supplemental Information" in the table of contents is presented for the purpose of additional analysis and is not a required part of the component unit financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Thigle Moore Delmart
Dupuis & Hutchinson*
WRIGHT, MOORE, DELMART,
DUPUIS & HUTCHINSON
Certified Public Accountants

October 31, 1996



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LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEARS ENDED AUGUST 31, 1986 AND 1985

NOTE (8) - CASH AND CASH EQUIVALENTS - Continued

	1985	
	Beginning of Year	End of Year
Operating Account - Checking	\$ 4,614	\$ 12,478
Water Revenue Money Market Account	183,868	263,262
Less: Amount Restricted for Renters' Deposits	<u>15,769</u>	<u>18,580</u>
Total	<u>\$231,713</u>	<u>\$256,160</u>

NOTE (9) - COMMITMENTS AND CONTINGENCIES

On January 14, 1986, the District entered into a joint cooperative agreement with the Lafayette Parish Government delineating the rights and obligations and to designate the portions of the new water system which will be owned each by the District and the Lafayette Parish Government.

The Lafayette Parish Government will retain ownership of that portion of the water distribution system constructed with the \$170,808 of funds for construction provided by the Louisiana Community Development Block Grant program for the actual construction of the system. An additional \$31,080 is being funded for engineering costs.

The District will retain title to the balance of the water distribution system.

Total estimated cost of the project is \$1,811,080 which is being funded by LCGO and the issuance of bonds as described in Note (7)(4).

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

NOTE (I) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SCOPE OF ENTITY

The Lafayette Parish Waterworks District South is a component unit of the City-Parish of Lafayette. The basic entity being reported on is the Lafayette Parish Waterworks District South. The financial report includes all funds over which the Waterworks 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 18, 1974. The Waterworks District's purpose is to provide a water system for the southern district of Lafayette Parish.

B. FUND ACCOUNTING

The accounts of the Lafayette Parish Waterworks District South are organized in one fund, which is considered a separately accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statement is described as follows:

Proprietary Fund

The Proprietary Fund is used to account for operations that are financed and operated in a manner where the intent of the governing body is that the costs (expenses) including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds, exceptable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present revenues (e.g., revenues) and disbursements (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Service Users	\$ 346,258	\$ 371,668
Cash Payments for Goods and Services	(121,398)	(115,436)
Cash Paid to Employees for Service	(44,713)	(41,730)
Net Cash Provided by Operating Activities	<u>180,147</u>	<u>214,492</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Grant	-	30,808
Increase in Membership Liability	3,999	3,698
Decrease in Contracts Payable	-	(8,165)
Purchase of Property and Equipment	(22,127)	(46,137)
Transfers to Restricted Assets	(42,814)	(46,332)
Net Cash Used by Capital and Related Financing Activities	<u>(60,942)</u>	<u>(66,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>3,012</u>	<u>2,321</u>
NET INCREASE IN CASH	<u>122,217</u>	<u>44,670</u>
CASH, Beginning of Year	<u>389,218</u>	<u>384,948</u>
CASH, End of Year	<u>\$ 511,435</u>	<u>\$ 369,618</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. ENCUMBRANCES

The Lafayette Parish Waterworks District South does not employ the encumbrance system of accounting.

NOTE (2) - CASH

The bank balances, including balances in restricted assets, of the Lafayette Parish Waterworks District South are covered by federal depository insurance, and/or securities pledged as deposit collateral by the depository bank.

Unrestricted cash is composed of a checking account and a money market interest account. Restricted cash is composed of three money market interest accounts and a checking account. There are no investments.

NOTE (3) - ACCOUNTS RECEIVABLE

The Lafayette Parish Waterworks District South's accounts receivable as of August 31, 1996 and 1995 consists of uncollected billed and unbilled utility services. Accounts receivable aging schedules are as follows:

Days	1996		1995	
	Amounts	Number of Accounts	Amounts	Number of Accounts
0-30	\$21,908	1,120	\$21,209	1,862
31-60	231	14	568	44
61-90	83	8	84	18
91 and older	1,525	39	584	18
Unbilled receivables	18,092	-	13,382	-
Total	41,839	1,181	40,327	1,942
Less: Allowance for Doubtful Accounts	<u>10,600</u>		<u>10,600</u>	
Net Accounts Receivable	<u>\$31,239</u>		<u>\$29,727</u>	

NOTE (4) - RESTRICTED ASSETS

Membership Account - The membership account consists of one-time fifty dollar membership fees collected in advance from property owners in the southern portion of the district where expansion of waterlines is currently ongoing. When construction began in 1995, the balance of this account was transferred to an unrestricted account. Once expansion is complete, the related deposit liability will be transferred to Membership Capital.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

**NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

NOTE (4) - RESTRICTED ASSETS - Continued

Customers' Deposits - The Customers' Deposits account represents refundable fifty dollar deposits collected from customers requesting service connection to rental property.

Under the terms of the bond indentures all income and revenues of every nature earned or derived from operation of the utility system are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Water Revenue Fund and 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 amount 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 received 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 Fund 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 \$4,416 each year. Money in this fund may be used for depreciation, renewals, 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.

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

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

NOTE (5) - PROPERTY AND EQUIPMENT

The following is a summary of the property and equipment at August 31, 1996:

Description of Property	Life in Years	Basic	Accumulated Depreciation	Net	Depreciation This Year
Water Distribution System	40 years	\$ 500,191	\$142,867	\$357,324	\$32,515
Treatment Plant	3-40 years	209,526	47,894	161,632	7,691
Lines, Wells and Meters	3-40 years	365,793	88,982	276,811	17,412
Office Equipment	3-7 years	9,043	5,621	3,422	1,813
Construction in Progress		71,487	-	71,487	-
Land		<u>13,828</u>	<u>-</u>	<u>13,828</u>	<u>-</u>
Total		<u>\$1,171,328</u>	<u>\$286,664</u>	<u>\$884,664</u>	<u>\$58,421</u>

The following is a summary of the property and equipment at August 31, 1995:

Description of Property	Life in Years	Basic	Accumulated Depreciation	Net	Depreciation This Year
Water Distribution System	40 years	\$ 500,191	\$136,552	\$363,639	\$32,515
Treatment Plant	3-40 years	204,131	58,595	145,536	9,779
Lines, Wells and Meters	3-40 years	363,793	77,030	286,763	17,834
Office Equipment	3-7 years	7,858	4,483	3,375	1,568
Construction in Progress		-	-	-	-
Land		<u>13,828</u>	<u>-</u>	<u>13,828</u>	<u>-</u>
Total		<u>\$1,078,993</u>	<u>\$276,160</u>	<u>\$802,833</u>	<u>\$62,697</u>

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

NOTE (7) - NOTES PAYABLE - Continued

The aggregate principal maturities are as follows:

Year Ended August 31,	
1997	\$ 13,660
1998	14,786
1999	15,921
2000	16,089
2001	17,226
2002-2007	<u>794,505</u>
	<u>\$872,287</u>

NOTE (8) - RETAINED EARNINGS

The District records reserves to Retained Earnings to indicate that a portion of the fund equity is legally segregated for a specific future use. The District reserved \$148,948 at August 31, 1996 and \$126,717 at August 31, 1995.

NOTE (9) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown on the Statement of Cash Flows is made up of the following at August 31, 1996 and 1995:

	1996	
	Beginning of Year	End of Year
Operating Account - Checking	\$ 11,476	\$ 19,199
Water Revenue Money Market Account	263,182	262,656
Loan Account Established for Customers' Deposits	<u>16,203</u>	<u>17,100</u>
Total	<u>\$289,218</u>	<u>\$285,655</u>

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*LICENSED CERTIFICATION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the component unit financial statements of the Lafayette Parish Waterworks District South, as of and for the year ended August 31, 1996, and have issued our report thereon dated October 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Budget and Management (OMB) Circular A-128, "Audit of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Lafayette Parish Waterworks District South, is the responsibility of the Waterworks District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Waterworks District's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Reportable noncompliance findings consist of irregularities and illegal acts that are not clearly inconsequential and instances of other noncompliance that are material to the financial statements. Irregularities are intentional misstatements or omissions of amounts or disclosures in financial statements. Illegal acts are violations of laws and regulations. Instances of other noncompliance include failures to follow requirements or violations of prohibitions contained in contracts or grant agreements that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed no reportable noncompliance findings.

We noted certain immaterial instances of noncompliance that we have reported to the management of Lafayette Parish Waterworks District South in a separate letter dated October 21, 1996.

This report is intended solely for information of the management and all appropriate regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Wright, Moore, DeHart,
Dupuis & Hutchinson*
WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON
Certified Public Accountants



October 21, 1996

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LAFAYETTE PARISH
WATERWORKS DISTRICT SOUTH
FINANCIAL STATEMENTS
AUGUST 31, 1996 AND 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, 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 SEP 15 1996