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LAFAYETTE PARISH  
WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED  
GOVERNMENT OF LAFAYETTE, LOUISIANA  
  
FINANCIAL STATEMENTS  
  
AUGUST 31, 1998 AND 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, 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 MAY 10 1999

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## 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 Consolidated Government of Lafayette, Louisiana, as of and for the years ended August 31, 1998 and 1997, 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.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, 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 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. Lafayette Parish Waterworks District South has included such disclosures in Note 9. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Lafayette Parish Waterworks District South's disclosures with respect to the year 2000 issue made in Note 9. Further, we do not provide assurance that Lafayette Parish Waterworks District South is or will be year 2000 ready, that Lafayette Parish Waterworks District South's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Lafayette Parish Waterworks District South does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of Lafayette Parish Waterworks District South, as of August 31, 1998 and 1997, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 1998, 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 and grants.

WMDDH

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 purposes 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.

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

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

October 26, 1998

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

**BALANCE SHEET**  
**AUGUST 31, 1998 AND 1997**

**ASSETS**

	<u>1998</u>	<u>1997</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 401,667	\$ 392,162
Accounts Receivable (Net of Allowance for Doubtful Accounts)	68,047	59,833
Due From Rural Development	16,172	-
Prepaid Insurance	<u>645</u>	<u>632</u>
Total Current Assets	<u>486,531</u>	<u>452,627</u>
<b>RESTRICTED ASSETS</b>		
Cash - Restricted		
Water Revenue Bond and Interest Sinking Fund Money Market Account	25,828	39,441
Water Revenue Reserve Fund Money Market Account	61,443	55,602
Water Depreciation and Contingency Fund Money Market Account	104,033	95,899
Rural Development Construction Account	-	-
Renters' Deposits	<u>-</u>	<u>8,875</u>
Total Restricted Assets	<u>191,304</u>	<u>199,817</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Water District System	1,061,335	971,764
Water Treatment Plant	213,369	213,369
Water Line and Wells	295,979	295,979
Water Meters	153,946	113,285
Equipment	66,086	60,267
Office Equipment	<u>16,215</u>	<u>14,538</u>
	1,806,930	1,669,202
Less: Accumulated Depreciation	<u>(419,819)</u>	<u>(347,280)</u>
	1,387,111	1,321,922
Land	15,000	15,000
Construction in Progress	<u>31,506</u>	<u>603</u>
Net Property, Plant and Equipment	<u>1,433,617</u>	<u>1,337,525</u>
<b>TOTAL ASSETS</b>	<u>\$2,111,452</u>	<u>\$1,989,969</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**

**BALANCE SHEET**  
**AUGUST 31, 1998 AND 1997**

**LIABILITIES AND FUND EQUITY**

	<u>1998</u>	<u>1997</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 27,064	\$ 32,553
Payroll Taxes Payable	258	217
Sales Tax Payable	786	270
Total Current Liabilities	<u>28,108</u>	<u>33,040</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Renters' Deposits	10,075	8,875
Accrued Interest	3,336	3,580
Current Portion of Revenue Bonds	22,660	18,252
Total Current liabilities (Payable from Restricted Assets)	<u>36,071</u>	<u>30,707</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue Bonds Payable - Less Current Portion	<u>1,169,875</u>	<u>1,201,413</u>
Total Liabilities	<u>1,234,054</u>	<u>1,265,160</u>
<b>FUND EQUITY</b>		
Contributed Capital		
Connections	152,671	113,284
Memberships	104,100	91,700
Capital Grants	73,000	30,000
Total Contributed Capital	<u>329,771</u>	<u>234,984</u>
Retained Earnings		
Reserve for Debt Service	87,270	95,043
Reserve for Depreciation and Contingency	104,033	95,899
Unreserved	356,324	298,883
Total Retained Earnings	<u>547,627</u>	<u>489,825</u>
TOTAL FUND EQUITY	<u>877,398</u>	<u>724,809</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$2,111,452</u>	<u>\$1,989,969</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 REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
<b>OPERATING REVENUES</b>		
Water Sales	\$507,431	\$386,600
Connection Fees	3,630	3,585
Reconnection Fees	3,075	3,885
Late Fees	11,233	7,832
Installation Fees	3,544	22,819
Other Fees	<u>896</u>	<u>906</u>
Total Operating Revenues	<u>529,809</u>	<u>425,627</u>
 <b>OPERATING EXPENSES</b>		
Scheduled	350,244	258,058
Depreciation	<u>72,539</u>	<u>46,674</u>
Total Operating Expenses	<u>422,783</u>	<u>304,732</u>
 <b>OPERATING INCOME</b>	 <u>107,026</u>	 <u>120,895</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	17,148	17,722
Interest Expense	<u>(66,372)</u>	<u>(52,836)</u>
Total Nonoperating Revenues (Expenses)	<u>(49,224)</u>	<u>(35,114)</u>
 <b>NET INCOME</b>	 <u>57,802</u>	 <u>85,781</u>
 <b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	 <u>489,825</u>	 <u>404,044</u>
 <b>RETAINED EARNINGS, END OF YEAR</b>	 <u>\$547,627</u>	 <u>\$489,825</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 YEARS ENDED AUGUST 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Service Users	\$ 529,225	\$ 408,737
Cash Payments for Goods and Services	(304,191)	(172,950)
Cash Paid to Employees for Service	<u>(73,600)</u>	<u>(60,250)</u>
Net Cash Provided by Operating Activities	<u>151,434</u>	<u>175,537</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Revenue Bonds	187,000	360,100
Capital Grants Contributed Capital Collected	43,000	-
Membership Contributed Capital Collected	12,400	10,100
Connections Contributed Capital Collected	39,386	43,530
Purchase of Property and Equipment	(168,631)	(505,620)
Principal Paid on Revenue Bonds	(214,130)	(13,003)
Interest Paid on Revenue Bonds	<u>(66,615)</u>	<u>(59,407)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(167,590)</u>	<u>(164,300)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>17,148</u>	<u>17,722</u>
<b>NET INCREASE IN CASH</b>	992	28,959
<b>CASH, BEGINNING OF YEAR</b> (including restricted cash of \$199,817 and \$167,065 for 1998 and 1997 respectively)	<u>591,979</u>	<u>563,020</u>
<b>CASH, END OF YEAR</b> (including restricted cash of \$191,304 and \$199,817 for 1998 and 1997 respectively)	<u>\$ 592,971</u>	<u>\$ 591,979</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 - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$107,026	\$120,895
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	72,539	46,674
Changes in Assets and Liabilities		
Accounts Receivable, Net	(8,214)	(18,665)
Prepaid Insurance	(13)	(89)
Accounts Payable	(5,489)	25,421
Payroll Taxes Payable	41	92
Sales Tax Payable	516	(566)
Renters Deposits	1,200	1,775
Due From RD	<u>(16,172)</u>	<u>-</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$151,434</b></u>	<u><b>\$175,537</b></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**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

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

**A. 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 is legally separate from the Consolidated Government but its governing body is appointed by the council of the Consolidated Government. The basic entity being reported on is the District. The financial report 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 of Lafayette Parish.

**B. BASIS OF PRESENTATION: FUND ACCOUNTING**

The accounts are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The government has the following fund types and account groups:

Proprietary Funds

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The operations of the water system are accounted for in an enterprise fund.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures 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.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

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

**NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

**NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**D. BUDGETARY ACCOUNTING**

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

**E. CASH AND CASH EQUIVALENTS**

*For purposes of the Statement of Cash Flows the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.*

**F. FIXED ASSETS AND LONG-TERM LIABILITIES**

Property and equipment (including infrastructure assets), which constitute 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	5-40 years
Water Line, Wells and Meters	5-40 years
Office Equipment	3-7 years
Other Equipment	5-10 years

Interest costs for fixed-asset construction within enterprise funds are capitalized. Interest costs incurred during 1998 were \$66,372 of which \$-0- has been capitalized.

**G. 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.

**NOTE (2) - CASH**

There are three categories of credit risk that apply to the District's bank balance:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name;

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

**NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

**NOTE (2) - CASH - continued**

2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name;
3. Uncollateralized.

Balances held in each category are as follows:

	<u>Categories</u>		<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>		
Insured (FDIC)	\$100,000	\$ -	\$100,000	\$100,000
Uninsured deposits-Collateralized	-	497,361	497,361	492,971
Total Deposits	<u>\$100,000</u>	<u>\$497,361</u>	<u>\$597,361</u>	<u>\$592,971</u>

Unrestricted cash is composed of a checking account and a money market interest account. Restricted cash is composed of three money market interest accounts. There are no investments. The District has no category 3 deposits.

**NOTE (3) - ACCOUNTS RECEIVABLE**

The District's accounts receivable as of August 31, 1998 and 1997 consists of uncollected billed and unbilled utility services. Accounts receivable aging schedules are as follows:

Days	<u>1998</u>		<u>1997</u>	
	Amounts	Number of Accounts	Amounts	Number of Accounts
0-30	\$44,044	2,107	\$39,557	1,680
31-60	560	27	521	18
61-90	117	6	-	-
91 and older	92	4	-	-
Unbilled Receivables	24,010	-	20,098	-
Other Receivables	<u>(116)</u>	<u>-</u>	<u>317</u>	<u>-</u>
Total	68,707	<u>2,144</u>	60,493	<u>1,698</u>
Less: Allowance for Doubtful Accounts	<u>(660)</u>		<u>(660)</u>	
Net Accounts Receivable	<u>\$68,047</u>		<u>\$59,833</u>	

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

**NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

**NOTE (4) - RESTRICTED ASSETS**

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

**Water Revenue Bond 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 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 \$4,416 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.

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.

**NOTE (5) - REVENUE BONDS PAYABLE**

The District has four Water Revenue Bond issues outstanding at August 31, 1998 and 1997 as follows:

	<u>1998</u>	<u>1997</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 - \$35,000, through August 12, 2023. The bond holder is Rural Development (formerly FmHA).	\$ 461,000	\$ 471,000
(2) \$200,000 40 year Water Revenue Bonds - dated October 6, 1987, with 7.625% interest, payable in annual installments of principal and interest of \$16,172 through August 12, 2027. The bond holder is Rural Development (formerly FmHA).	-	188,665

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

**NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

**NOTE (5) - REVENUE BONDS PAYABLE - continued**

<p>(3) \$150,000 40 year Water Revenue Bonds - dated October 12, 1984 with 5% interest, payable in annual installments of principal and interest ranging from \$7,500 - \$9,450 through August 12, 2024. The bond holder is SLEMCO.</p>	\$ 126,000	\$ 129,000
<p>(4) \$431,000 40 Year Water Revenue Bonds dated July 19, 1996, with 5.625% interest, payable in annual installments of interest only for 1997 and principal and interest of \$27,709 through August 12, 2035. The bond holder is Rural Development (formerly FmHA).</p>	427,535	431,000
<p>(5) \$187,000 20 Year Water Revenue Bonds dated January 14, 1998. With 6% interest, payable in annual installments of interest ranging from \$5,000 - \$15,000 through August 12, 2018. The bond holder is First National Bank.</p>	<u>178,000</u>	<u>-</u>
Total Revenue Bonds Payable	1,192,535	1,219,665
Less: Current Maturities	<u>22,660</u>	<u>18,252</u>
Long-Term Debt	<u>\$1,169,875</u>	<u>\$1,201,413</u>

The aggregate principal maturities are as follows:

Years Ended	
August 31, 1999 - 2027	
1999	\$ 22,660
2000	22,866
2001	24,084
2002	25,313
2003	26,556
2004-2027	<u>1,071,056</u>
	<u>\$1,192,535</u>

**NOTE (6) - RETAINED EARNINGS - RESERVED**

The District records reserves to Retained Earnings to indicate that a portion of the fund equity is segregated to satisfy legal covenants and is not appropriate for future expenses. Specific reservations of retained earnings are summarized below:

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

**NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

**NOTE (6) - RETAINED EARNINGS - RESERVED - continued**

**Reserve for Debt Service** - The reserve for debt service was created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue accounts based on assets held by the Enterprise Fund that are restricted for debt service. The purpose of the reserved retained earnings is to service the revenue bonds.

**Reserve for Depreciation and Contingency** - The reserve for depreciation and contingency was created in conjunction with the issuance of revenue bonds and is funded from the revenue account based on assets held by the Enterprise Fund that are restricted for depreciation and contingency. The funds are reserved for depreciation, extensions, additions, improvements, and replacements necessary to properly operate the system. This reserve may also be used for debt service payments on the revenue bonds falling due at any time there is not sufficient funds available in other bond funds.

**NOTE (7) - CONTRIBUTED CAPITAL**

Changes in the Enterprise Fund Contributed Capital for the years ended August 31, 1998 and 1997 were as follows:

	<u>1998</u>	<u>1997</u>
Contributed Capital - Beginning Balance	\$234,984	\$159,454
Membership Fees Collected to Fund System Extensions	12,400	32,000
Capital Grants	43,000	-
Connection Fees up to Actual Cost	<u>39,387</u>	<u>43,530</u>
Contributed Capital - Ending Balance	<u>\$329,771</u>	<u>\$234,984</u>

**NOTE (8) - RELATED PARTY TRANSACTIONS**

The District conducts business with an employee who is a principal member of management. The District rents office space from that employee. The District made rental payments of \$700 in 1998 and \$1,200 in 1997. At August 31, 1998 no amounts were due to the employee from the District relating to this lease.

The District also conducts business with the Consolidated Government in the ordinary course of business. The District purchases water from the Consolidated Government for resale to customers. The District purchased \$160,190 and \$103,994 of water from the Consolidated Government during 1998 and 1997, respectively. At August 31, 1998 and 1997, the District owed to the Consolidated Government \$17,786 and \$30,678, respectively.

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

**NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

**NOTE (9) - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

Lafayette Parish Waterworks District South has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting daily operations. Based on this inventory, the District is in the remediation stage for the financial reporting systems as of August 31, 1998. Testing and validation of the systems will need to be completed to determine the compliance of the hardware and software currently in use.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



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

**SCHEDULE OF OPERATING EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Advertising	\$ -	\$ 78
Automobile Allowance	6,600	6,600
Bad Debts	342	1,762
Bank Charges	2,703	2,129
Board Fees	1,250	1,375
Chemicals	21,847	14,712
Contract Plant Operations	5,520	-
Consulting	-	2,003
Employee Training	70	50
Freight	-	1,654
Gas	1,011	226
Insurance	11,304	6,700
Labor	1,050	1,570
Legal and Accounting	10,768	7,205
Miscellaneous	-	74
Office	7,347	7,162
Refunds	(192)	4
Rent	700	1,200
Repairs and Maintenance	23,973	19,429
Salaries	73,600	60,250
Supplies	5,578	3,530
Payroll Taxes	5,855	4,631
Telephone	3,386	3,147
Utilities	7,181	8,573
Water Purchased	160,190	103,994
Penalties	<u>161</u>	<u>-</u>
Total Operating Expenses	<u>\$350,244</u>	<u>\$258,058</u>

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

SCHEDULE OF INSURANCE IN FORCE  
AUGUST 31, 1998  
(UNAUDITED)

Insurer	Coverage	Risk Covered	Coverage limits	Co-Insurance	Policy Period From To
Mid Continental Casualty Insurance Company	Bodily Injury and Property Damage	General Liability and Property Damage	\$300,000/\$300,000	None	09/20/97 09/20/98
Aetna	Fire	Treatment Plant Contents	\$21,000 \$31,000	80%	01/27/98 01/27/99
La. Workmen's Compensation Corporation	Bodily Injury	Workmen's Compensation	Statutory	None	09/01/97 09/01/98
Aetna	Surety bond on Fred Simon - President		\$79,000	None	12/01/97 12/01/98
Aetna	Surety bond on Connie Duhon- Bookkeeper		\$79,000	None	10/01/97 10/01/98

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

**BOARD OF COMMISSIONERS  
AS OF AUGUST 31, 1998**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>
Fred Simon	November, 2001	President	Rt. 3, Box 265-K Lafayette, LA 70506 (318) 984-5346
Alvin Denais	October, 1999	Vice-President	1822 Denais Rd. Duson, LA 70529 (318) 984-2997
George Villien Jr.	October, 2000	Secretary/ Treasurer	3143 S. Fieldspan Duson, LA 70529 (318) 981-3076
Aaron Duhon	September, 2001	Board Member	101 Adola Road Maurice, LA 70555 (318) 873-6279
Bobby Duhon	November, 2000	Board Member	4211 South Ridgefield Rayne, LA 70578 (318) 873-8336

Commissioners each receive \$25.00 compensation monthly.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 1998

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Agriculture Rural Development Water Revenue Bonds- Water System Improvements	10.760	N/A	\$431,000

NOTE: The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

# WRIGHT, MOORE, DeHART, DUPUIS & HUTCHINSON

Certified Public Accountants

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M. Acc. (Taxation)  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Parish, 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 years ended August 31, 1998 and 1997, and have issued our report thereon dated October 26, 1998, which was qualified because insufficient audit evidence exists to support Lafayette Parish Waterworks District South's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Parish Waterworks District South's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses.

WMDDH

This report is intended for the information of the management and Board of Commissioners of the Lafayette Parish Waterworks District South, the Legislative Auditor of the State of Louisiana, and the federal awarding agency. However, this report is a matter of public record and its distribution is not limited.

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

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

October 26, 1998

# WRIGHT, MOORE, DeHART, DUPUIS & HUTCHINSON

Certified Public Accountants

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited the compliance of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended August 31, 1998 and 1997. Lafayette Parish Waterworks District South's major federal program is identified in the accompanying Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lafayette Parish Waterworks District South's management. Our responsibility is to express an opinion on Lafayette Parish Waterworks District South's compliance based on our audit.

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

In our opinion, Lafayette Parish Waterworks District South complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended August 31, 1998 and 1997.

### Internal Control Over Compliance

The management of Lafayette Parish Waterworks District South is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lafayette Parish Waterworks District South's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

WMDDH

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and Board of Commissioners of the Lafayette Parish Waterworks District South, the Legislative Auditor of the State of Louisiana, and the federal awarding agency. However, this report is a matter of public record and its distribution is not limited.

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

October 26, 1998



**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, 1998**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses a qualified opinion on the financial statements of the Lafayette Parish Waterworks District South, a component unit of the Consolidated Government of Lafayette, Louisiana.
2. No instances of noncompliance material to the financial statements of the Lafayette Parish Waterworks District South were disclosed during the audit.
3. The auditors' report on compliance for the major federal award programs for the Lafayette Parish Waterworks District South expresses an unqualified opinion.
4. The program tested as a major program included: USDA/Rural Development-Water Revenue Bonds; CFDA #10.760.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The Lafayette Parish Waterworks District South was determined to be a low-risk auditee.