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**VERMILION PARISH
WATERWORKS DISTRICT NO. 1**

Maurice, Louisiana

Financial Report

Year Ended December 31, 2006

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 5-16-07

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INDEPENDENT AUDITOR'S REPORT

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The Board of Commissioners
Vermilion Parish Waterworks District No. 1
Maurice, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Vermilion Parish Waterworks District No. 1, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the District'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 and the standards applicable to financial audits contained in 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Vermilion Parish Waterworks District No. 1, as of December 31, 2006, and the respective changes 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 March 21, 2007 on our consideration of the Vermilion Parish Waterworks District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

The Vermilion Parish Waterworks District No. 1 has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vermilion Parish Waterworks District No. 1's basic financial statements. The supplementary information on pages 20 through 21 is presented for purposes of additional analysis and is not a required part of the basic 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 audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
March 21, 2007

BASIC FINANCIAL STATEMENTS

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Net Assets
December 31, 2006

ASSETS

Current assets:	
Cash and cash equivalents	\$ 476,192
Accounts receivable	144,896
Grant receivable	<u>80,060</u>
Total current assets	<u>701,148</u>
Noncurrent assets:	
Restricted assets -	
Construction accounts	7,818
Revenue bond and interest sinking account	110,493
Revenue bond reserve account	68,417
Revenue bond contingency account	68,416
Customer deposits	<u>34,050</u>
Total restricted assets	<u>289,194</u>
Capital assets, net	<u>15,904,008</u>
Total noncurrent assets	<u>16,193,202</u>
Total assets	<u>16,894,350</u>

LIABILITIES AND NET ASSETS

Current liabilities (payable from current assets):	
Accounts payable	43,239
Accrued liabilities	<u>23,810</u>
Total current liabilities (payable from current assets)	<u>67,049</u>
Current liabilities (payable from restricted assets):	
Revenue bonds payable	86,881
Contract payable	76,069
Retainage payable	13,604
Interest payable	18,291
Subdivision development deposits	11,084
Customer's deposits	<u>34,050</u>
Total current liabilities (payable from restricted assets)	<u>239,979</u>
Noncurrent liabilities:	
Revenue bonds payable	<u>7,658,161</u>
Total liabilities	<u>7,965,189</u>

NET ASSETS

Invested in capital assets, net of related debt	8,158,966
Restricted for debt service	149,972
Unrestricted	<u>620,223</u>
Total net assets	<u>\$ 8,929,161</u>

The accompanying notes are an integral part of the basic financial statements.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2006

Operating revenues:	
Charges for services -	
Water sales	\$1,214,265
Penalties	27,587
Reconnection fees	14,860
Meter fees/advance	10,000
Meter fees/regular	89,241
Miscellaneous	<u>15,500</u>
Total operating revenues	<u>1,371,453</u>
Operating expenses:	
Salaries	238,257
Payroll taxes	5,389
Group insurance	32,061
Insurance	43,208
Supplies	38,049
Telephone and utilities	82,438
Chemicals	49,357
Meter installation and reading	146,707
Depreciation	442,881
Professional fees	14,159
Maintenance and repairs	57,113
Retirement expenses	25,399
Automobile expense	25,922
Miscellaneous expenses	12,799
Postage	13,945
Lease expense	5,100
Printing and publications	<u>10,178</u>
Total operating expenses	<u>1,242,962</u>
Operating income	<u>128,491</u>
Nonoperating revenues (expenses):	
Interest income	23,803
Interest expense	<u>(353,217)</u>
Total nonoperating revenues (expenses)	<u>(329,414)</u>
Capital contributions	<u>349,026</u>
Change in net assets	148,103
Net assets, beginning	<u>8,781,058</u>
Net assets, ending	<u>\$8,929,161</u>

The accompanying notes are an integral part of the basic financial statements.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows
Year Ended December 31, 2006

Cash flows from operating activities:	
Receipts from customers	\$ 1,347,518
Payments to suppliers	(782,676)
Payments to employees	(301,804)
Other receipts	<u>6,230</u>
Net cash provided by operating activities	<u>269,268</u>
Cash flows from noncapital financing activities:	
Proceeds from meter deposits	<u>5,150</u>
Cash flows from capital and related financing activities:	
Payments on capital debt	(80,895)
Interest paid on bonds	(379,605)
Acquisition and construction of capital assets	(256,390)
Capital contributions	<u>623,572</u>
Net cash used by capital and related financing activities	<u>(93,318)</u>
Cash flows from investing activities:	
Interest income	<u>23,803</u>
Net increase in cash and cash equivalents	204,903
Cash and cash equivalents, beginning of period	<u>560,483</u>
Cash and cash equivalents, end of period	<u>\$ 765,386</u>

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2006

Reconciliation of operating income to net cash
provided by operating activities:

Operating income	\$ 128,491
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	442,881
Change in assets and liabilities	
Increase in receivables	(8,435)
Decrease in other receivables	5,078
Decrease in accounts payable	(46,123)
Increase in accrued liabilities	705
Decrease in contract payable	(178,847)
Decrease in retainage payable	(65,213)
Decrease in subdivision development deposits	<u>(9,269)</u>
Net cash provided by operating activities	<u>\$ 269,268</u>

Reconciliation of cash and cash equivalents per
statement of cash flows to the balance sheet:

Cash and cash equivalents, beginning of period -	
Cash	\$ 89
Interest-bearing deposits	<u>560,394</u>
Total cash and cash equivalents	<u>560,483</u>
Cash and cash equivalents, end of period -	
Cash	-
Interest-bearing deposits	<u>765,386</u>
Total cash and cash equivalents	<u>765,386</u>
Net increase	<u>\$ 204,903</u>

The accompanying notes are an integral part of the basic financial statements.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The Vermilion Parish Waterworks District No. 1, which is a component unit of the Vermilion Parish Police Jury, was created in 1986 under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of Vermilion Parish. The District is governed by a board of commissioners composed of five members appointed by the Vermilion Parish Police Jury.

The accounting and reporting policies of the Vermilion Parish Waterworks District No. 1 (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for Vermilion Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39 established criteria for determining which component units should be considered part of the Vermilion Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and;
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the Police Jury.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Police Jury appoints the District's governing body, Vermilion Parish Waterworks District No. 1 was determined to be a component unit of the Vermilion Parish Police Jury, the financial reporting entity. The accompanying component unit financial statements present information only on the proprietary fund maintained by the District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America and, as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments", issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing 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 is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

E. Assets, Liabilities and Equity

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits. They are stated at cost, which approximates market. See Note (2) for other GASB No. 3 disclosures.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables.

The District uses the direct write-off method for customers' receivables. Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the District during the year was \$353,217, of which none was capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	40 years
Equipment	5-10 years

F. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

(2) Cash and Cash Equivalents

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 the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2006 the District had cash and cash equivalents (book balances) totaling \$765,386 follows:

Demand deposits	<u>\$765,386</u>
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These deposits are stated at cost, which approximates market. 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. 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. Deposit balances (bank balances) at December 31, 2006 were secured as follows:

Bank balances	<u>\$ 769,694</u>
Federal deposit insurance	100,000
Pledged securities (Category 3)	<u>669,694</u>
Total federal insurance and pledged securities	<u>\$ 769,694</u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, 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 Revised 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.

(3) Receivables

Receivables at December 31, 2006 of \$144,896 consist of the following:

Accounts	\$ 85,988
Unbilled water	<u>58,908</u>
Totals	<u>\$ 144,896</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

(4) Restricted Assets

Restricted assets consisted of the following at December 31, 2006:

Construction accounts	\$ 7,818
Revenue bond and interest sinking account	110,493
Revenue bond reserve account	68,417
Revenue bond contingency account	68,416
Customer deposits	<u>34,050</u>
Total restricted assets	<u>\$ 289,194</u>

(5) Capital Assets

A summary of the District's capital assets at December 31 follows:

	Beginning Balance 1/1/2006	Increases	Decreases	Ending Balance 12/31/2006
Capital assets not being depreciated:				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in process	414,463	157,254	(414,463)	157,254
Other capital assets:				
Treatment plants and buildings	2,981,124	-	-	2,981,124
Furniture, fixtures and equipment	540,377	12,874	-	553,251
Water distribution system	<u>13,030,220</u>	<u>500,725</u>	<u>-</u>	<u>13,530,945</u>
Totals	<u>16,966,284</u>	<u>670,853</u>	<u>(414,463)</u>	<u>17,222,674</u>
Less: Accumulated depreciation for				
Treatment plants and buildings	193,426	74,528	-	267,954
Furniture, fixtures and equipment	97,211	34,252	-	131,463
Water distribution system	<u>585,148</u>	<u>334,101</u>	<u>-</u>	<u>919,249</u>
Total accumulated depreciation	<u>875,785</u>	<u>442,881</u>	<u>-</u>	<u>1,318,666</u>
Capital assets, net	<u>\$ 16,090,499</u>	<u>\$ 227,972</u>	<u>\$ (414,463)</u>	<u>\$ 15,904,008</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

(6) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 2006:

	<u>Water Revenue Bonds</u>
Long-term debt payable at December 31, 2005	\$ 7,825,937
Long-term debt retired	<u>(80,895)</u>
Long-term debt payable at December 31, 2006	\$ 7,745,042
Less Portion of Long-term debt due within one year	<u>(86,881)</u>
	<u>\$ 7,658,161</u>

Long-term debt payable at December 31, 2006 is composed of the following issues:

\$1,530,000 Water Revenue Bonds issued October 12, 2000 in two series as follows:

\$1,368,000, due in monthly installments of \$6,430 over forty years starting November 2001 through October 2040; interest at 4.75 percent	\$ 1,296,810
\$162,000, due in monthly installments of \$789 over forty years starting November 2001 through October 2040; interest at 5 percent	153,961
\$1,256,000 Water Revenue Bonds, Series 2002, issued November 26, 2002, due in monthly installments of \$5,803 over forty years starting December 2003 through November 2042; interest at 4.625 percent	1,217,725
\$2,265,000 Water Revenue Bonds, Series 2004A, issued February 19, 2004, due in monthly installments of \$10,283 over forty years starting March 2005 through February 2044; interest at 4.5 percent	2,212,515
\$2,193,000 Water Revenue Bonds, Series 2004B, issued April 14, 2004, due in monthly installments of \$9,781 over forty years starting May 2005 through April 2044; interest at 4.375 percent	2,145,691
\$725,000 Water Revenue Bonds, Series 2005, issued January 14, 2005, due in monthly installments of \$3,292 over forty years starting February 2006 through April 2045; interest at 4.5 percent	<u>718,340</u>
	<u>\$ 7,745,042</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

The annual requirements to amortize all debt outstanding at December 31, 2006 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	86,881	349,639	436,520
2008	90,911	345,611	436,522
2009	95,126	341,295	436,421
2010	99,536	336,982	436,518
2011	104,153	332,365	436,518
2012-2016	597,864	1,584,730	2,182,594
2017-2021	750,028	1,433,112	2,183,140
2022-2026	940,961	1,241,657	2,182,618
2027-2031	1,180,563	1,002,037	2,182,600
2032-2036	1,481,257	701,340	2,182,597
2037-2041	1,748,699	326,945	2,075,644
2042-2045	<u>569,063</u>	<u>24,982</u>	<u>594,045</u>
Total	<u>\$7,745,042</u>	<u>\$ 8,020,695</u>	<u>\$ 15,765,737</u>

(7) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the bond indenture on the \$1,530,000 water revenue bonds dated October 12, 2000, the \$1,256,000 water revenue bond, series 2002 dated November 26, 2002, the \$2,265,000 water revenue bond, series 2004A dated February 19, 2004, the \$2,193,000 water revenue bond, series 2004B dated April 14, 2004, and the \$725,000 water revenue bonds, series 2005 dated January 14, 2005, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds.

Each month there will be set aside into a "Water Revenue Bond and Interest Sinking Fund" (the "Debt Service Fund") an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment.

Funds will also be set aside into a "Water Revenue Bond Reserve Fund" and a "Water Depreciation and Contingency Fund" of five percent per annum of the amount paid into the sinking fund. Monies in the "Water Revenue Bond Reserve Fund" shall be used solely for the purpose of paying the principal and interest on bonds payable from the Debt Service Fund as to which there would otherwise be default. Monies in the "Water Depreciation and Contingency Fund" shall be used to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

Violation of Water Revenue Bonds Restrictions

The District is in compliance with all significant limitations and restrictions set forth upon issuance of the outstanding water revenue bonds.

(8) Capital Contributions

Capital contributions consisted of the following at December 31, 2006:

Grant monies from the U.S. Department of Agriculture	\$ 161,011
Grant monies from the Department of Homeland Security	183,015
Contribution from local sources	<u>5,000</u>
Total	<u>\$ 349,026</u>

(9) Retirement Commitments

A. Parochial Employees Retirement System of Louisiana

The system provides retirement, disability and death benefits to plan members and beneficiaries. Benefits under the system are established and amended by Louisiana state statutes. A publicly available financial report that includes financial statements and required supplemental information may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619, (225) 928-1361.

All employees working at least 28 hours per week are eligible to participate. Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 12.75% of annual covered payroll. Contributions to the retirement system also include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of the parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active plan members of each plan. The employer's contributions to the retirement system for the year ending December 31, 2006 was \$25,399.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

(10) Compensation of Board Members

The board of commissioners consists of five members, which do not receive compensation, as follows:

Carroll Duhon, Chairman
Hubert Faulk
T.J. Prejean
Maxwell Chreene
Gaulman Gaspard

(11) Risk Management

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

(12) Pending Litigation

There is no litigation pending against the Vermilion Parish Waterworks District No. 1 at December 31, 2006.

(13) Leases

The District leases property from the Vermilion Parish School Board for the purposes of operating the main water plant in Maurice, Louisiana. The lease originated December 16, 1999 and has an initial term of ten (10) years running through 2009. Provisions within the lease call for a statutory extension of the lease for thirty one (31) years. The lease calls for annual lease payments in the amount of \$300 due at the beginning of each year. The District also leases property for the location of the water system at Intracoastal City, Esther, and Forked Island (IEF). The lease has a term of forty (40) years with the option of an additional term of forty (40) years. The lease calls for monthly lease payments of \$400. As of February 24, 2005, the District entered into a second property lease with the Vermilion Parish School Board for the purpose of operating and maintaining a water system (Kaplan Plant), which is in the construction phase. The first rental payment shall be due and payable at the time the District completes the closing procedures with USDA - Rural Development for the proposed project. The lease has an initial term of ten years and is subject to the statutory extension of an additional thirty one (31) years. The lease calls for annual lease payments of \$450. Lease payments made for the year ending December 31, 2006 was \$5,100.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

The minimum future lease payments under this obligation are as follows:

2007	\$ 5,100
2008	5,100
2009	5,100
2010	5,100
2011	5,100
2012-2016	25,500
2017-2021	25,500
2022-2026	25,500
2027-2031	25,500
2032-2036	25,500
2037-2041	25,500
2042-2044	11,200
	<u>\$ 189,700</u>

(14) Construction Commitments

At December 31, 2006, the District had construction commitments outstanding in the amount of \$67,063. These commitments represent the balance to be completed on incomplete contracts.

SUPPLEMENTARY INFORMATION

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2006

Records maintained by the Vermillion Parish Waterworks District No. 1 indicated the following number of customers were being serviced during the month of December, 2006:

Residential	4,102
Commercial	<u>159</u>
	<u>4,261</u>

The water rates of the District are as follows:

Residential rates:

- \$13.00 for the first 2,000 gallons
- \$2.65 per 2,000 gallons or part thereof

Commercial rates:

- \$13.00 for the first 2,000 gallons
- \$2.65 per 1,000 gallons or part thereof (next 18,000 gallons)
- \$2.00 per 1,000 gallons or part thereof (over 20,000 gallons)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2006

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Fidelity Bond	\$ 444,000		04/03/07
Commercial General Liability	\$ 1,000,000	Each occurrence	02/12/07
	\$ 1,000,000	Fire damage limit	
	\$ 10,000	Medical expense limit	
	\$ 1,000,000	Personal and advertising injury limit	
	\$ 3,000,000	General aggregate limit	
	\$ 1,000,000	Products - completed operations aggregated	
Commercial Property	\$ 2,897,350	Buildings	02/12/07
	\$ 250,000	Water wells and tanks	
Commercial Auto Coverage	\$ 1,000,000	Liability	02/12/07
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	12/14/07
Commercial Flood Coverage	\$ 197,000	Buildings	04/19/07
	\$ 89,000	Contents	

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

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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

WEB SITE:
WWW.KCSRCFAS.COM

The Board of Commissioners
Vermilion Parish Waterworks District No. 1
Maurice, Louisiana

We have audited the financial statements of the business-type activities of the Vermilion Parish Waterworks District No. 1, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Vermilion Parish Waterworks District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vermilion Parish Waterworks District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vermilion Parish Waterworks District No. 1'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Vermilion Parish Waterworks District No. 1's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Vermilion Parish Waterworks District No. 1's financial statements that is more than inconsequential will not be prevented or detected by the Vermilion Parish Waterworks District No. 1's internal control. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 06-1(IC) to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Commissioners, 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 maybe limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
March 21, 2007

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (12/31/06) --						
<u>Internal Control:</u>						
06-1(IC)	Unknown	Due to the small number of employees, the Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions within the accounting system.	N/A	Based upon the size of the administrative office and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Carroll Duhon, President	N/A
PRIOR YEAR (12/31/05) --						
<u>Internal Control:</u>						
05-1(IC)	Unknown	Due to the small number of employees, the Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions within the accounting system.	N/A	Based upon the size of the administrative office and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Carroll Duhon, President	N/A