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TECHE-VERMILION FRESH WATER DISTRICT
FINANCIAL REPORT
DECEMBER 31, 2004

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 6/1/05

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Teche-Vermilion Fresh Water District
Lafayette, Louisiana

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Ralph Friend, CPA* 2002
Eugene C. Gilder, CPA* 2004

We have audited the accompanying basic financial statements of Teche-Vermilion Fresh Water District as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of Teche-Vermilion Fresh Water 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, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teche-Vermilion Fresh Water District at December 31, 2004 and 2003, and the results of its operations for the years 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 our report dated April 8, 2005, on our consideration of Teche-Vermilion Fresh Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The budgetary comparison information listed as required supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Teche-Vermilion Fresh Water District. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Broussard, Poche, Lewis & Breaux LLP

Lafayette, Louisiana
April 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Teche-Vermilion Fresh Water District's financial performance provides an overview of Teche-Vermilion Fresh Water District's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the District's financial statements, which begin on page 10.

I. FINANCIAL HIGHLIGHTS

Teche-Vermilion Fresh Water District's net assets decreased by \$189,948 or .68% as a result of this year's operations.

Teche-Vermilion Fresh Water District's total program revenues were \$2,017,831 compared to \$1,806,269 last year, an increase of \$211,562 or 11.7%.

Total expenses for Teche-Vermilion Fresh Water District during the year ending December 31, 2004 were \$2,207,779 compared to \$2,221,006 last year, a decrease of \$13,227 or .6%.

II. USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 10 and 11) provide information about Teche-Vermilion Fresh Water District's activities as a whole and present a longer-term view of Teche-Vermilion Fresh Water District's finances. Fund financial statements start on page 14. These statements tell how the services were financed in the short-term as well as what remains for future spending.

A. REPORTING TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

1. THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

Our analysis of Teche-Vermilion Fresh Water District as a whole begins on page 4. One of the most important questions asked about Teche-Vermilion Fresh Water District's finances is, "Is Teche-Vermilion Fresh Water District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Teche-Vermilion Fresh Water District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Teche-Vermilion Fresh Water District's net assets and the changes in them. These net assets, the difference between the assets and the liabilities, is one way to measure Teche-Vermilion Fresh Water District's financial position or financial health. Over time, increases or decreases in Teche-Vermilion Fresh Water District's net assets are one indicator of whether its financial health is improving or deteriorating.

We record the fund maintained by the Teche-Vermilion Fresh Water District as governmental activities in the Statement of Net Assets and the Statement of Activities.

B. REPORTING TECHE-VERMILION FRESH WATER DISTRICT'S MOST SIGNIFICANT FUNDS

1. FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the District's General Fund, not the District as a whole.

All of Teche-Vermilion Fresh Water District's expenses are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could be readily converted to cash. The governmental fund statements provide a detailed short-term view of Teche-Vermilion Fresh Water District's general operations and the expenses paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future Teche-Vermilion Fresh Water District expenses. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation at the bottom of the fund financial statements.

III. TECHE-VERMILION FRESH WATER DISTRICT AS A WHOLE

Teche-Vermilion Fresh Water District's total net assets decreased in the current year from \$28,270,509 to \$28,080,561. The following reflects the condensed statement of net assets as of December 31, 2004, with comparative figures from 2003:

TABLE I
CONDENSED STATEMENT OF NET ASSETS

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$18,742,896	\$18,125,081
Property and equipment, net	<u>9,467,888</u>	<u>10,246,698</u>
Total assets	<u>\$28,210,784</u>	<u>\$28,371,779</u>
Liabilities:		
Current liabilities	\$ 74,013	\$ 46,335
Long-term liabilities	<u>56,210</u>	<u>54,935</u>
Total liabilities	<u>130,223</u>	<u>101,270</u>
Net assets:		
Invested in capital assets	9,467,888	10,246,698
Restricted for replacement of equipment	16,525,000	16,294,031
Unrestricted	<u>2,087,673</u>	<u>1,729,780</u>
Total net assets	<u>28,080,561</u>	<u>28,270,509</u>
Total liabilities and net assets	<u>\$28,210,784</u>	<u>\$28,371,779</u>

Net assets of Teche-Vermilion Fresh Water District's governmental activities decreased by \$189,948 or .68% from the prior year. Unrestricted net assets, the part of net assets that can be used to finance Teche-Vermilion Fresh Water District expenses without constraints or other legal requirements increased \$357,893 or 18.6% over the prior year.

TABLE II
CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	<u>2004</u>	<u>2003</u>
Revenues:		
General revenues -		
Operating and intergovernmental	\$ 100,883	\$ 105,270
Property taxes	1,555,597	1,412,284
Investment earnings	<u>361,351</u>	<u>288,715</u>
Total revenues	<u>2,017,831</u>	<u>1,806,269</u>
Expenses:		
General governmental	<u>2,207,779</u>	<u>2,221,006</u>
Increase (decrease) in net assets	<u>\$ (189,948)</u>	<u>\$ (414,737)</u>

During the fiscal year ended December 31, 2004, program revenues decreased by \$4,387 or approximately 4.2%. For the same period, property tax revenue increased \$143,313 or approximately 10.1%. Investment earnings for the fiscal year ended December 31, 2004 increased by \$72,636 or approximately 25.2%. The increase in earnings was due primarily to improvement in the fair value of investments.

Expenses, excluding depreciation expense of \$789,110, decreased by \$15,127 or approximately 1.1%.

IV. GENERAL FUND BUDGETARY HIGHLIGHTS

The Teche-Vermilion Fresh Water District's General Fund budget was not revised during the 2004 fiscal year. All items were within the acceptable budgeted appropriations and no revisions were required.

Investment earnings were over budget by \$131,351 or 57.11% at December 31, 2004. This was due to higher interest yield on investments during 2004. All bond mutual funds were sold in 2004 at a loss of \$413,442.

The excess of revenue over expenditures at December 31, 2004 of \$417,989 was \$544,801 over budget. This was due primarily to utilities expense being under budget.

V. CAPITAL ASSETS

At the end of 2004, Teche-Vermilion Fresh Water District had \$9,467,888 invested in capital assets. This amount represents a net decrease of \$778,811, or 7.6% from last year. This was due primarily to the recording of depreciation of \$789,110 in 2004.

VI. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor considered when preparing the fiscal 2005 budget was the ad valorem tax revenue. The ad valorem tax is expected to produce \$1,445,000 or approximately 65.6% of the budget. Interest earnings are budgeted at \$653,000 or approximately 29.6% of the budget. Total revenue has been fairly constant over the years except for an unusual one time gain on the sale of investments in 2002 and the loss on the sale of investments in 2004. As no substantial sales of securities are planned for 2005, the budget was prepared based on 2003 results.

VII. CONTACTING THE TECHE-VERMILION FRESH WATER DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the funds maintained by Teche-Vermilion Fresh Water District and to show Teche-Vermilion Fresh Water District's accountability for the money it receives. If you have any questions or need additional financial information, contact Teche-Vermilion Fresh Water District, Mr. Jason Dupuis, Executive Director, at 315 South College Road, Suite 110, Lafayette, Louisiana 70503.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENTS OF NET ASSETS
December 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash	\$ 270,419	\$ 253,675
Investments, at fair value	17,001,260	16,559,452
Receivables:		
Ad valorem taxes	1,303,000	1,188,954
State revenue sharing	68,004	63,556
Accrued interest	98,861	57,685
Other	<u>1,352</u>	<u>1,759</u>
Total current assets	<u>18,742,896</u>	<u>18,125,081</u>
CAPITAL ASSETS		
Non-depreciable	807,743	807,743
Depreciable, net	<u>8,660,145</u>	<u>9,438,955</u>
Total capital assets	<u>9,467,888</u>	<u>10,246,698</u>
Total assets	<u>\$28,210,784</u>	<u>\$28,371,779</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,745	\$ 7,077
Accrued expenses	45,268	35,258
Accrued annual leave, current portion due	<u>4,000</u>	<u>4,000</u>
Total current liabilities	<u>74,013</u>	<u>46,335</u>
LONG-TERM LIABILITIES		
Accrued annual leave, net of current portion due	<u>56,210</u>	<u>54,935</u>
Total liabilities	<u>130,223</u>	<u>101,270</u>
NET ASSETS		
Invested in capital assets	9,467,888	10,246,698
Restricted for replacement of equipment	16,525,000	16,294,031
Unrestricted	<u>2,087,673</u>	<u>1,729,780</u>
Total net assets	<u>28,080,561</u>	<u>28,270,509</u>
Total liabilities and net assets	<u>\$28,210,784</u>	<u>\$28,371,779</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Expenses:		
Governmental activities-fresh water supply -		
General government:		
Personnel services	\$ 524,499	\$ 493,651
Utilities	568,115	685,970
Other services and charges	326,055	254,175
Depreciation	<u>789,110</u>	<u>787,210</u>
Total government activities	<u>2,207,779</u>	<u>2,221,006</u>
General revenues:		
Ad valorem taxes	1,555,597	1,412,284
Intergovernmental revenue	96,079	95,385
Investment earnings	361,351	288,715
Miscellaneous revenue	<u>4,804</u>	<u>9,885</u>
Total general revenues	<u>2,017,831</u>	<u>1,806,269</u>
Change in net assets	(189,948)	(414,737)
Net assets, beginning of the year	<u>28,270,509</u>	<u>28,685,246</u>
Net assets, end of the year	<u>\$28,080,561</u>	<u>\$28,270,509</u>

See Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BALANCE SHEETS - GOVERNMENTAL FUND
December 31, 2004 and 2003

ASSETS	2004	2003
Cash	\$ 270,419	\$ 253,675
Investments, at fair value	17,001,260	16,559,452
Receivables:		
Ad valorem taxes	1,303,000	1,188,954
State revenue sharing	68,004	63,556
Accrued interest	98,861	57,685
Other	1,352	1,759
Total assets	<u>\$18,742,896</u>	<u>\$18,125,081</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 24,745	\$ 7,077
Accrued expenses	45,268	35,258
Deferred revenue	1,602,808	1,430,660
Total liabilities	<u>1,672,821</u>	<u>1,472,995</u>
Fund balance:		
Reserved for -		
Replacement of equipment	16,525,000	16,294,031
Unreserved -		
Designated for operation and maintenance	200,000	200,000
Designated for contingencies	300,000	300,000
Designated for insurance deductible	160,000	160,000
Undesignated	(114,925)	(301,945)
Total fund balance	<u>17,070,075</u>	<u>16,652,086</u>
Total liabilities and fund balance	<u>\$18,742,896</u>	<u>\$18,125,081</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Total fund balance - governmental fund	\$17,070,075	\$16,652,086
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	9,467,888	10,246,698
Taxes and state revenue sharing revenues will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore, they are reported as deferred revenue in the fund.	1,602,808	1,430,660
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at December 31, are:		
Compensated absences	<u>(60,210)</u>	<u>(58,935)</u>
Total net assets of governmental activities	<u>\$28,080,561</u>	<u>\$28,270,509</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Taxes - ad valorem	\$ 1,383,450	\$ 1,327,286
Intergovernmental	96,079	95,385
Investment earnings	361,351	288,715
Miscellaneous	<u>4,804</u>	<u>9,887</u>
Total revenues	<u>1,845,684</u>	<u>1,721,273</u>
Expenditures:		
Current -		
General government	1,417,396	1,430,539
Capital outlay	<u>10,299</u>	<u>-</u>
Total expenditures	<u>1,427,695</u>	<u>1,430,539</u>
Net change in fund balance	417,989	290,734
Fund balance, beginning	<u>16,652,086</u>	<u>16,361,352</u>
Fund balance, ending	<u>\$17,070,075</u>	<u>\$16,652,086</u>

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Years Ended December 31, 2004 and 2003

	2004	2003
Net change in fund balance - governmental fund	\$ 417,989	\$ 290,734
The change in net assets reported for governmental activities in the statement of activities is different because:		
The governmental fund reports capital outlays as expenditures; however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays.	(778,811)	(787,210)
Taxes and state revenue sharing revenues in the statement of activities that do not provide current resources is not reported as revenue in the fund.	172,147	84,998
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, they are not reported as expenditures in the governmental fund. The adjustment here relates to the adjustment for accrued compensated absences in the current period.	(1,273)	(3,259)
Change in net assets of governmental activities	\$ (189,948)	\$ (414,737)

See Notes to Financial Statements.

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Teche-Vermilion Fresh Water District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting entity:

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the 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.

Primary government:

Teche-Vermilion Fresh Water District - Teche-Vermilion Fresh Water District is a body corporate created under Act 41 of 1969. Its purpose is that of establishing, maintaining and protecting a fresh water supply in Bayou Teche and the Vermilion River in the parishes of Iberia, Lafayette, St. Martin and Vermilion. The District is governed by a Board of Commissioners composed of one member from each of the parishes constituting the District. The members are appointed by the police juries/parish councils of their respective parishes. In addition, the St. Landry Parish Police Jury appoints an advisory member who can vote on all matters relating to drainage. The Chairman is appointed by the Commission. For financial reporting purposes, the District includes all funds and activities that are controlled by the District as an independent political subdivision of the State of Louisiana.

NOTES TO FINANCIAL STATEMENTS

The activities of the parish governing authorities, school boards, independently elected parish officials and municipal level governments of the parishes constituting the District are not included within the accompanying financial statements, as they are considered autonomous governments. These units of government issue financial statements separate from that of the District.

Basis of presentation:

The District's basic financial statements consist of the government-wide statements and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide financial statements -

The government-wide financial statements include the statement of net assets and the statement of activities of the District. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

In the government-wide statement of net assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, restricted and unrestricted.

The government-wide statement of activities reports both the gross and net cost of the District. The District is supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The District has no program revenues for the years ended December 31, 2004 and 2003.

The net cost of the District is normally covered by general revenues (ad valorem taxes, interest income, etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

NOTES TO FINANCIAL STATEMENTS

Fund financial statements -

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. The District has only one fund, its General Fund. The General Fund is the District's general operating fund. It is used to account for all of the financial resources of the District.

Basis of accounting:

Government-wide financial statements -

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Fund financial statements -

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as "available" in the year following the assessment, when the majority of the taxes are collected.

Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Fixed assets:

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Government-wide statements -

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation on all capital assets, excluding land and improvements, is calculated on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water control structures	67
Buildings and improvements	25
Equipment	5 - 15

Fund financial statements -

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated absences:

Employees of the District earn annual and sick leave at varying rates according to years of service with the District. Upon resignation or retirement, unused annual leave up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, accumulated annual leave above 300 hours and accumulated sick leave is used in the retirement benefit computation as earned service. No payment is made for accrued and unused sick leave.

In the government-wide statements, the District accrues accumulated unpaid vacation and associated related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," no compensated absences liability is recorded in the governmental fund financial statements.

Equity classifications:

Government-wide statements -

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets - Consists of capital assets net of accumulated depreciation.

NOTES TO FINANCIAL STATEMENTS

- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

Fund statements -

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary data:

Budgeting policy -

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund prior to the beginning of the fiscal year and notices of its completion and availability are published. After its adoption, adjustment to the budget must be approved by resolution. All budgeted amounts presented as supplementary information reflect the original budget and the final amended budget (which is the same as the original because there were no revisions during the year). All appropriations lapse at the end of the fiscal year.

Investments:

Investments are stated at fair market value as determined by independent reporting services.

Impairments:

The District evaluates long-term assets to be held and used for impairment when events or changes in economic circumstances indicate the carrying value of such assets may be unrecoverable. The District uses an estimate of the future undiscounted net cash flows to measure whether the assets are recoverable and measured for impairment by reference to fair value. Fair value is generally estimated using the District's expectations of discounted net cash flows. Long-term assets to be disposed of are carried at the lower of cost or fair value less the costs of disposal.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits:

At year end, the carrying amount of the District's deposits was \$270,319 and the bank balance was \$141,901. Of the bank balance, \$100,000 was covered by FDIC insurance and \$135,647 was in a Treasury money market account. The remaining \$41,901 was collateralized by pledged securities totaling \$827,909 at December 31, 2004. In addition, the District had \$100 of petty cash at year end.

Investments:

The District's investments are categorized as either (1) insured or registered for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the District's name or (3) uninsured and unregistered 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. A categorization of the investments at December 31, 2004 follows:

Category 3 -

U. S. Government securities	<u>\$17,001,260</u>
-----------------------------	---------------------

Note 3. Ad Valorem Taxes

Fund financial statements -

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. Taxes are billed and collected by the individual parishes comprising the District.

Ad valorem tax revenue is recognized in the year following the assessment, when the majority of the taxes are actually collected.

In 2000, a ten year tax renewal in the amount of 1.5 mills was approved by the voters of Iberia, Lafayette, St. Martin and Vermilion parishes. The tax is for the purpose of constructing, establishing, extending, maintaining, operating and protecting a fresh water supply and abating pollution in Bayou Teche and the Vermilion River within the Teche-Vermilion Fresh Water District. The tax will expire in the year 2010. The Board of Commissioners has established a current assessment of 1.0 mills.

NOTES TO FINANCIAL STATEMENTS

Government-wide financial statements -

Ad valorem tax revenue is recognized in the year for which they are levied net of uncollectible amounts, as applicable.

Note 4. Long-Term Debt

The District's long-term debt consists of accrued annual leave at December 31, 2004. The following is a summary of changes in accrued annual leave for the year ended December 31, 2004:

Balance, beginning	\$ 58,935
Additional leave accrued, net	<u>1,275</u>
Balance, ending	<u>\$ 60,210</u>

Note 5. Employee Retirement Systems

All permanent employees of the District are eligible for the Parochial Employees Retirement System (PERS) of Louisiana, a multiple-employer public employee retirement system.

Parochial Employees' Retirement System (PERS)

Plan description:

Members of the plan may retire with thirty years of creditable service regardless of age, with twenty-five years of service at age 55, and with ten years of service at age 60. Benefit rates are 1% of final compensation (average monthly earnings during the highest 36 consecutive months, or joined months if service was interrupted) plus \$2.00 per month for each year of service credited prior to January 1, 1980, and 3% of final compensation for each year of service after January 1, 1980. The System also provides disability and survivor benefits. Benefits are established by State statute. PERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Parochial Employees' Retirement of Louisiana, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619.

Funding policy:

Plan members are required to contribute 9.50% of their annual covered salary to the plan and the District is required to contribute at an actuarially determined rate. The current rate is 11.75% of annual covered payroll. The contribution requirements of plan members and the District are established by statute. The District's contribution to PERS for the years ended December 31, 2004, 2003, and 2002 were \$49,037, \$31,255, and \$29,644, respectively, equal to the required contribution for each year.

NOTES TO FINANCIAL STATEMENTS

Note 6. Board Members Compensation

Board members receive \$75 per diem for attendance at each official meeting of the board, not to exceed one regular meeting per month and six special meetings per year. The following reflects the per diem earned by the Commissioners:

	Number	Amount
Donald Sagrera	8	\$ 600
Ray Brignac	14	1,050
Patrick J. Domingue	13	975
Michael Dartez	11	825
Total		\$ 3,450

Note 7. Reserves for Capital Expenditures

The District and the United States Corps of Engineers have entered into an agreement upon accepting the pumping station and all of its structures from the U.S. Government whereby the District is obligated to set aside reserves, in the amount of \$16,525,000, for replacement of pumps, motors and all working parts. The District has established a reserve fund for these future capital expenditures, and the present allocation to meet this replacement is \$16,525,000.

Note 8. Designation of Fund Balance

By resolution, the District has designated \$160,000 of the unreserved fund balance for insurance deductibles, \$200,000 for future operation and maintenance of the Teche-Vermilion Fresh Water District, and \$300,000 for contingencies of the Teche-Vermilion Fresh Water District.

Note 9. Post Retirement Health Care and Life Insurance Benefits

The State of Louisiana provides certain continuing health care and life insurance benefits for Teche-Vermilion Fresh Water District's retired employees. Substantially, all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. Those benefits for retirees are provided through Group Benefits whose monthly premiums are paid jointly by the employee and the District. The cost of providing these benefits is reflected as an expenditure in the year it is paid. For the years ended December 31, 2004 and 2003, there were three retirees and the costs of their benefits totaled \$6,232 and \$8,320, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 10. Net Change in the Fair Value of Investments

The following is the change in the fair value of investments for the year ended December 31:

	<u>2004</u>	<u>2003</u>
Fair value at end of year	\$ 17,001,260	\$ 16,559,452
Add: Proceeds of investments sold	17,920,907	1,409,315
Less: Cost of investments purchased	(18,201,664)	(7,951,748)
Less: Fair value at beginning of year	<u>(16,559,452)</u>	<u>(10,342,282)</u>
Change in fair value of investments	<u>\$ 161,051</u>	<u>\$ (325,263)</u>

Note 11. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated -				
Land	\$ 807,743	\$ -0-	\$ -0-	\$ 807,743
Capital assets being depreciated -				
Water control structure	25,293,265	-	-	25,293,265
Buildings and improvements	286,568	-	-	286,568
Equipment	<u>295,153</u>	<u>10,299</u>	<u>-</u>	<u>305,452</u>
Total capital assets being depreciated	25,874,986	10,299	-0-	25,885,285
Less accumulated depreciation	<u>(16,436,031)</u>	<u>(789,110)</u>	<u>-</u>	<u>(17,225,141)</u>
Total capital assets being depreciated, net	<u>9,438,955</u>	<u>(778,811)</u>	<u>-0-</u>	<u>8,660,144</u>
Governmental activities capital assets, net	<u>\$ 10,246,698</u>	<u>\$ (778,811)</u>	<u>\$ -0-</u>	<u>\$ 9,467,887</u>

REQUIRED SUPPLEMENTARY INFORMATION

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended December 31, 2004

With Comparative Actual Amounts for Year Ended December 31, 2003

	2004		Variance With Final Budget Positive (Negative)	2003 Actual
	Original and Final Budget	Actual		
Revenues:				
Taxes -				
Ad valorem taxes	\$1,440,000	\$ 1,383,450	\$ (56,550)	\$ 1,327,286
Intergovernmental revenues -				
State revenue sharing	99,500	96,079	(3,421)	95,385
Interest income	230,000	200,300	(29,700)	613,978
Net change in unrealized gain (loss) on investments	-	161,051	161,051	(325,263)
Miscellaneous revenues	10,000	4,804	(5,196)	9,887
Total revenues	<u>1,779,500</u>	<u>1,845,684</u>	<u>66,184</u>	<u>1,721,273</u>
Expenditures:				
Current -				
General government:				
Personnel services -				
Salaries	422,812	417,332	5,480	403,285
Group insurance	47,000	51,094	(4,094)	45,594
Retirement	33,800	49,037	(15,237)	31,255
Payroll taxes	4,000	5,763	(1,763)	10,260
	<u>507,612</u>	<u>523,226</u>	<u>(15,614)</u>	<u>490,394</u>
Utilities	<u>853,750</u>	<u>568,115</u>	<u>285,635</u>	<u>685,970</u>
Other services and charges -				
Advertising	1,000	174	826	-
Assessors' compensation	5,000	1,199	3,801	10,430
State retirement	47,000	54,294	(7,294)	43,901
Compensation - board members	4,000	3,450	550	2,850
Dues	1,300	1,290	10	1,790
Fuel, oil and lubricants	8,500	8,207	293	7,089
Insurance	90,000	96,118	(6,118)	88,748

(continued)

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)

GENERAL FUND

Year Ended December 31, 2004

With Comparative Actual Amounts for Year Ended December 31, 2003

	2004		Variance With Final Budget Positive (Negative)	2003 Actual
	Original and Final Budget	Actual		
Other services and charges (continued) -				
Maintenance				
contracts	1,400	1,417	(17)	1,833
Miscellaneous	6,300	6,791	(491)	7,532
Office				
improvements	1,200	579	621	132
Office supplies	2,300	2,550	(250)	1,469
Operating supplies	6,700	8,346	(1,646)	3,339
Professional				
services	34,500	46,833	(12,333)	28,638
Printing	800	633	167	735
Rent	12,000	11,055	945	11,055
Repairs and				
maintenance	131,350	57,214	74,136	23,713
Telephone	6,000	6,069	(69)	5,893
Travel	16,600	19,836	(3,236)	15,028
Dredging of				
inlet channel	150,000	-	150,000	-
	<u>525,950</u>	<u>326,055</u>	<u>199,895</u>	<u>254,175</u>
Total general government	<u>1,887,312</u>	<u>1,417,396</u>	<u>469,916</u>	<u>1,430,539</u>
Capital outlay:				
Office equipment	2,000	-	2,000	-
Automotive equipment	15,000	10,299	4,701	-
Operation and maintenance				
equipment	1,000	-	1,000	-
Improvements	1,000	-	1,000	-
Total capital outlay	<u>19,000</u>	<u>10,299</u>	<u>8,701</u>	<u>-0-</u>
Total expenditures	<u>1,906,312</u>	<u>1,427,695</u>	<u>478,617</u>	<u>1,430,539</u>
Net change in fund balance	<u>\$ (126,812)</u>	417,989	<u>\$ 544,801</u>	290,734
Fund balance, beginning		<u>16,652,086</u>		<u>16,361,352</u>
Fund balance, ending		<u>\$17,070,075</u>		<u>\$16,652,086</u>

See Notes to Financial Statements.

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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

Donald W. Kelley, CPA*
Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
George J. Trappey III, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*
Martha B. Wyatt, CPA*
Troy J. Breaux, CPA*
Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey L. Breaux, CPA*
Terrel P. Dressel, CPA*
Craig J. Viator, CPA*

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Ralph Friend, CPA* 2002
Eugene C. Gilder, CPA* 2004

To the Board of Directors
Teche-Vermilion Fresh Water District
Lafayette, Louisiana

We have audited the financial statements of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2004, and have issued our report thereon dated April 8, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the District'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 District'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 operations that we consider to be material weaknesses.

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

Broussard, Poche, Lewis & Breaux LLP

Lafayette, Louisiana
April 8, 2005

TECHE-VERMILION FRESH WATER DISTRICT
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2004

We have audited the financial statements of Teche-Vermilion Fresh Water District as of and for the year ended December 31, 2004, and have issued our report thereon dated April 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

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

Internal Control

Material Weaknesses ___ Yes X No
Reportable Conditions ___ Yes X None Reported

Compliance

Compliance Material to Financial Statements ___ Yes X No

Section II - Financial Statement Findings

No matters were reported.

TECHE-VERMILION FRESH WATER DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2004

Section I. Internal Control and Compliance Material to the Financial Statements

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.