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**VERMILION PARISH
WATERWORKS DISTRICT NO. 1**
Maurice, Louisiana

Financial Report

Year Ended December 31, 2010

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

Release Date 8/31/11

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INDEPENDENT AUDITOR'S REPORT

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, 2010, which collectively comprise the District's basic financial statements 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, 2010, and the changes in financial position and cash flows, where applicable, 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 our report dated May 3, 2011 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 an opinion on the financial statements that collectively comprise the Vermilion Parish Waterworks District No. 1's financial statements as a whole. The supplementary information on pages 21 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 30 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements of the Vermilion Parish Waterworks District No. 1. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Abbeville, Louisiana
May 3, 2011

BASIC FINANCIAL STATEMENTS

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Net Assets
December 31, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 660,642
Receivables	480,886
Prepaid expenses	42,899
Total current assets	<u>1,184,427</u>
Noncurrent assets:	
Restricted assets -	
Construction accounts	21,427
Revenue bond and interest sinking account	57,618
Revenue bond reserve account	178,031
Revenue bond contingency account	178,031
Customer deposits	52,800
Total restricted assets	<u>487,907</u>
Bond issue costs, net	81,241
Capital assets, net	<u>24,814,836</u>
Total noncurrent assets	<u>25,383,984</u>
Total assets	<u>26,568,411</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	82,991
Accrued liabilities	37,304
Contract payable	350,936
Retainage payable	220,272
Deferred revenue	12,490
Revenue bonds payable	177,887
Interest payable	31,080
Subdivision development deposits	1,500
Customer's deposits	52,800
Total current liabilities	<u>967,260</u>
Noncurrent liabilities:	
Revenue bonds payable	<u>13,792,143</u>
Total liabilities	<u>14,759,403</u>

NET ASSETS

Invested in capital assets, net of related debt	10,844,806
Restricted for debt service	382,600
Unrestricted	581,602
Total net assets	<u>\$ 11,809,008</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, 2010

Operating revenues:	
Charges for services -	
Water sales	\$ 1,893,141
Penalties	38,717
Reconnection fees	21,326
Meter fees/advance	9,250
Meter fees/regular	66,500
Miscellaneous	<u>13,466</u>
Total operating revenues	<u>2,042,400</u>
Operating expenses:	
Salaries	338,076
Payroll taxes	5,502
Group insurance	44,002
Insurance	51,675
Supplies	38,220
Telephone and utilities	85,846
Chemicals	82,379
Meter installation and reading	137,678
Depreciation	488,293
Professional fees	26,023
Maintenance and repairs	36,428
Retirement expenses	48,184
Automobile expense	22,307
Miscellaneous expenses	22,076
Postage	4,669
Lease expense	5,100
Printing and publications	<u>41,089</u>
Total operating expenses	<u>1,477,547</u>
Operating income	<u>564,853</u>
Nonoperating revenues (expenses):	
Interest income	3,733
Interest expense	<u>(314,388)</u>
Total nonoperating revenues (expenses)	<u>(310,655)</u>
Capital contributions	<u>1,996,820</u>
Change in net assets	2,251,018
Net assets, beginning	<u>9,557,990</u>
Net assets, ending	<u>\$ 11,809,008</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, 2010

Cash flows from operating activities:	
Receipts from customers	\$ 1,991,114
Payments to suppliers	(590,490)
Payments to employees and related costs	<u>(439,052)</u>
Net cash provided by operating activities	<u>961,572</u>
Cash flows from noncapital financing activities:	
Increase in meter deposits, net	<u>4,650</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	902,018
Payments on capital debt	(122,886)
Bond issue costs	(81,241)
Interest and fiscal charges paid on bonds	(605,619)
Capital contributions	1,022,146
Acquisition and construction of capital assets	<u>(1,900,237)</u>
Net cash used by capital and related financing activities	<u>(785,819)</u>
Cash flows from investing activities:	
Interest income	<u>3,733</u>
Net increase in cash and cash equivalents	184,136
Cash and cash equivalents, beginning of period	<u>964,413</u>
Cash and cash equivalents, end of period	<u>\$ 1,148,549</u>

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2010

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

Operating income	\$ 564,853
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	488,293
(Increase) decrease in operating assets	
Receivables	(52,354)
Prepaid expenses	(42,899)
Increase (decrease) in operating liabilities	
Accounts payable	(4,542)
Accrued liabilities	5,876
Deferred revenue	2,345
Net cash provided by operating activities	<u>\$ 961,572</u>

Noncash investing, capital, and financing activities:

Contributions of capital assets from government	<u>\$ 731,791</u>
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Reconciliation of cash and cash equivalents per
statement of cash flows to the balance sheet:

Cash and cash equivalents, beginning of period - Interest-bearing deposits	\$ 964,413
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Cash and cash equivalents, end of period - Interest-bearing deposits	<u>1,148,549</u>
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Net increase	<u>\$ 184,136</u>
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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) Accounting Standards Codification in accounting and reporting for its proprietary, fund operations unless those standards 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.

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 \$583,102, of which \$268,714 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.

H. Restricted or Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Reclassifications

Certain amounts in 2009 have been reclassified to conform with the 2010 presentation.

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, 2010 the District had cash and cash equivalents (book balances) totaling \$1,148,549 as follows:

Demand deposits	<u>\$1,148,549</u>
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Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. 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, 2010, are as follows:

Bank balances	<u>\$1,185,457</u>
Federal deposit insurance	250,000
Pledged securities (Category 3)	<u>935,457</u>
Total federal insurance and pledged securities	<u>\$1,185,457</u>

As of December 31, 2010, the District's total bank balances were fully insured and collateralized with securities held in the name of the District by the pledging financial institution's agent and, therefore, they were not exposed to custodial credit risk.

(3) Receivables

Receivables at December 31, 2010 of \$480,886 consist of the following:

Accounts	\$ 144,397
Unbilled water	104,209
Grants	217,673
Other	<u>14,607</u>
Totals	<u>\$ 480,886</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

The aging of the Accounts Receivable is as follows:

Current	\$ 93,584
0 - 30 days	31,921
31 - 60 days	6,545
Over 60 days	<u>12,347</u>
Total	<u>\$ 144,397</u>

(4) Restricted Assets

Restricted assets consisted of the following at December 31, 2010:

Construction accounts	\$ 21,427
Revenue bond and interest sinking account	57,618
Revenue bond reserve account	178,031
Revenue bond contingency account	178,031
Customer deposits	<u>52,800</u>
Total restricted assets	<u>\$ 487,907</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

(5) Capital Assets

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

	Beginning Balance <u>01/01/10</u>	Increases <u> </u>	Decreases <u> </u>	Ending Balance <u>12/31/10</u>
Capital assets not being depreciated:				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in process	6,302,948	2,424,706	8,685,651	42,003
Other capital assets:				
Treatment plants and buildings	386,783	-	-	386,783
Furniture, fixtures and equipment	582,167	631,022	-	1,213,189
Water distribution system	17,598,755	8,744,311	-	26,343,066
Totals	<u>24,870,753</u>	<u>11,800,039</u>	<u>8,685,651</u>	<u>27,985,141</u>
Less: Accumulated depreciation for				
Treatment plants and buildings	29,630	9,670	-	39,300
Furniture, fixtures and equipment	196,238	37,333	-	233,571
Water distribution system	2,456,144	441,290	-	2,897,434
Total accumulated depreciation	<u>2,682,012</u>	<u>488,293</u>	<u>-</u>	<u>3,170,305</u>
Capital assets, net	<u>\$22,188,741</u>	<u>\$11,311,747</u>	<u>\$8,685,651</u>	<u>\$24,814,836</u>

(6) Changes in Long-Term Debt

The following is a summary of debt transactions for Water Revenue Bonds of the District for the year ended December 31, 2010:

Long-term debt payable at December 31, 2009	\$13,190,898
Long-term debt issued	902,018
Long-term debt retired	<u>(122,886)</u>
Long-term debt payable at December 31, 2010	\$13,970,030
Less Portion of Long-term debt due within one year	<u>(177,887)</u>
Portion of Long-term debt due in more than one year	<u>\$13,792,143</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Basic Financial Statements (Continued)

Long-term debt payable at December 31, 2010 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	\$ 1,228,418
\$162,000, due in monthly installments of \$789 over forty years starting November 2001 through October 2040; interest at 5 percent	146,144
\$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	1,159,344
\$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	2,108,259
\$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	2,043,175
\$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	686,964
\$4,572,000 Water Revenue Bonds, Series 2009 issued November 3, 2009, due in monthly installments of \$20,025 over forty years starting November 2010 through October 2049; interest at 4.25 percent	4,564,045
\$2,049,000 Water Revenue Bonds, Series 2010 issued November 3, 2009, due in monthly installments of \$7,889 over forty years starting October 12, 2010 through October 2049; interest at 3.375 percent	<u>2,033,681</u>
	<u>\$13,970,030</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, 2010 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 177,887	\$ 593,600	\$ 771,487
2012	185,673	585,814	771,487
2013	193,806	577,683	771,489
2014	202,295	569,194	771,489
2015	211,161	560,326	771,487
2016 - 2020	1,203,155	2,654,283	3,857,438
2021 - 2025	1,491,716	2,365,723	3,857,439
2026 - 2030	1,850,235	2,007,202	3,857,437
2031 - 2035	2,295,830	1,561,608	3,857,438
2036 - 2040	2,829,023	1,007,695	3,836,718
2041 - 2045	2,190,383	424,280	2,614,663
2046 - 2049	<u>1,138,866</u>	<u>88,778</u>	<u>1,227,644</u>
Total	<u>\$ 13,970,030</u>	<u>\$ 12,996,186</u>	<u>\$ 26,966,216</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, the \$725,000 water revenue bonds, series 2005 dated January 14, 2005, the \$4,572,000 water revenue bonds, series 2009 dated November 3, 2009, and the \$2,049,000 water revenue bonds, series 2010 dated November 3, 2009 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, 2010:

Grant monies from the U.S. Department of Agriculture	\$1,211,395
Contribution of capital assets from the Vermillion Parish Police Jury	731,791
Grant monies from the State of Louisiana passed through Vermillion Parish Police Jury	24,486
Contribution from local sources	<u>29,148</u>
Total	<u>\$1,996,820</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 15.75% 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 contribution to the retirement system for the year ending December 31, 2010 was \$48,184.

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. The members of the board of commissioners started receiving compensation in June 2008 of \$60 per meeting. The chairman of the board receives \$200 per meeting. The following is a list of the commissioners and compensation paid for the year ended December 31, 2010.

Hubert Faulk, Chairman	\$ 2,400
Kevin Georgia	900
Ritter Trahan	840
Norman Duhon	900
Danny Richard	780
	<u>\$ 5,820</u>

(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, 2010.

(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 Vermillion 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, 2010 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:

2011	\$ 5,100
2012	5,100
2013	5,100
2014	5,100
2015	5,100
2016 - 2020	25,500
2021 - 2025	25,500
2026 - 2030	25,500
2031 - 2035	25,500
2036 - 2040	25,500
2041	4,800
	<u>\$ 157,800</u>

(14) Construction Commitments

At December 31, 2010, the District had construction commitments outstanding in the amount of \$112,336. These commitments represent the balance to be completed on incomplete contracts.

(15) Subsequent Event

District evaluated subsequent events through May 3, 2011, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2010

Records maintained by the Vermillion Parish Waterworks District No. 1 indicated the following number of customers were being serviced during the month of December, 2010

Residential	5,651
Commercial	<u>208</u>
	<u>5,859</u>

The water rates of the District are as follows:

Residential rates:

\$14.00 per month for the first 2,000 gallons, then
\$ 3.75 per 1,000 gallons or part thereof over 2,000 gallons

Commercial rates:

\$14.00 per month for the first 2,000 gallons, then
\$ 3.75 per 1,000 gallons or part thereof over 2,000 gallons

Penalty for paying water bill after due date:

Additional ten percent (10%) of total water charge

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2010

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Fidelity Bond	\$ 800,000		04/03/11
Commercial General Liability	\$ 1,000,000	Each occurrence	12/14/11
	\$ 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	
	\$ 3,000,000	Products - completed operations aggregated	
Commercial Property	\$ 2,764,100	Blanket limit	12/14/11
Commercial Auto Coverage	\$ 1,000,000	Liability	12/14/11
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	12/14/11
Commercial Flood Coverage	\$ 262,200	Buildings	04/19/11
	\$ 103,100	Contents	
Crime Coverage	\$5,000-\$100,000	Various Theft	12/14/11
Management Liability	\$ 1,000,000	Each Wrongful Act	12/14/11

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Net Assets
December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>	Increase/ (Decrease)
Current assets:			
Cash and cash equivalents	\$ 660,642	\$ 576,351	\$ 84,291
Receivables	480,886	198,522	282,364
Prepaid expenses	<u>42,899</u>	<u>-</u>	<u>42,899</u>
Total current assets	<u>1,184,427</u>	<u>774,873</u>	<u>409,554</u>
Noncurrent assets:			
Restricted assets -			
Construction accounts	21,427	21,202	225
Revenue bond and interest sinking account	57,618	40,977	16,641
Revenue bond reserve account	178,031	138,867	39,164
Revenue bond contingency account	178,031	138,866	39,165
Customer deposits	<u>52,800</u>	<u>48,150</u>	<u>4,650</u>
Total restricted assets	<u>487,907</u>	<u>388,062</u>	<u>99,845</u>
Bond issue costs, net	81,241	-	81,241
Capital assets, net	<u>24,814,836</u>	<u>22,188,741</u>	<u>2,626,095</u>
Total noncurrent assets	<u>25,383,984</u>	<u>22,576,803</u>	<u>2,807,181</u>
Total assets	<u>26,568,411</u>	<u>23,351,676</u>	<u>3,216,735</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	82,991	43,073	39,918
Accrued liabilities	37,304	31,026	6,278
Contract payable	350,936	247,677	103,259
Retainage payable	220,272	154,347	65,925
Deferred revenue	12,490	23,418	(10,928)
Revenue bonds payable	177,887	116,619	61,268
Interest payable	31,080	53,597	(22,517)
Subdivision development deposits	1,500	1,500	-
Customer's deposits	<u>52,800</u>	<u>48,150</u>	<u>4,650</u>
Total current liabilities	<u>967,260</u>	<u>719,407</u>	<u>247,853</u>
Noncurrent liabilities:			
Revenue bonds payable	<u>13,792,143</u>	<u>13,074,279</u>	<u>717,864</u>
Total liabilities	<u>14,759,403</u>	<u>13,793,686</u>	<u>965,717</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,844,806	8,997,843	1,846,963
Restricted for debt service	382,600	148,494	234,106
Unrestricted	<u>581,602</u>	<u>411,653</u>	<u>169,949</u>
Total net assets	<u>\$11,809,008</u>	<u>\$9,557,990</u>	<u>\$2,251,018</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
Operating revenues:			
Charges for services -			
Water sales	\$ 1,893,141	\$ 1,533,196	\$ 359,945
Penalties	38,717	30,520	8,197
Reconnection fees	21,326	20,900	426
Meter fees/advance	9,250	10,150	(900)
Meter fees/regular	66,500	47,000	19,500
Miscellaneous	<u>13,466</u>	<u>11,577</u>	<u>1,889</u>
Total operating revenues	<u>2,042,400</u>	<u>1,653,343</u>	<u>389,057</u>
Operating expenses:			
Salaries	338,076	301,073	37,003
Payroll taxes	5,502	6,681	(1,179)
Group insurance	44,002	43,870	132
Insurance	51,675	45,477	6,198
Supplies	38,220	43,591	(5,371)
Telephone and utilities	85,846	75,795	10,051
Chemicals	82,379	74,919	7,460
Meter installation and reading	137,678	157,635	(19,957)
Depreciation	488,293	485,765	2,528
Professional fees	26,023	45,255	(19,232)
Maintenance and repairs	36,428	212,146	(175,718)
Retirement expenses	48,184	31,023	17,161
Automobile expense	22,307	23,100	(793)
Miscellaneous expenses	22,076	18,556	3,520
Postage	4,669	3,852	817
Lease expense	5,100	5,100	-
Printing and publications	<u>41,089</u>	<u>42,057</u>	<u>(968)</u>
Total operating expenses	<u>1,477,547</u>	<u>1,615,895</u>	<u>(138,348)</u>
Operating income	<u>564,853</u>	<u>37,448</u>	<u>527,405</u>
Nonoperating revenues (expenses):			
Interest income	3,733	3,478	255
Gain (loss) on sale	-	1,725	(1,725)
Interest expense	<u>(314,388)</u>	<u>(376,834)</u>	<u>(62,446)</u>
Total nonoperating revenues (expenses)	<u>(310,655)</u>	<u>(371,631)</u>	<u>(60,976)</u>
Capital contributions	<u>1,996,820</u>	<u>152,294</u>	<u>1,844,526</u>
Change in net assets	2,251,018	(181,889)	2,432,907
Net assets, beginning	<u>9,557,990</u>	<u>9,739,879</u>	<u>(181,889)</u>
Net assets, ending	<u>\$ 11,809,008</u>	<u>\$ 9,557,990</u>	<u>\$ 2,251,018</u>

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

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current and prior year audit findings and management's corrective action plan, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Vermilion Parish Waterworks District No. 1's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 10-1(IC) to be 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 is required to be reported under Government Auditing Standards.

The Vermilion Parish Waterworks District No. 1's response to the finding identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. We did not audit the Vermilion Parish Waterworks District No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report 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
May 3, 2011

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited the Vermilion Parish Waterworks District No. 1's, a component unit of the Vermilion Parish Police Jury, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2010. Vermilion Parish Waterworks District No. 1's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Vermilion Parish Waterworks District No. 1's management. Our responsibility is to express an opinion on the Vermilion Parish Waterworks District No. 1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 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 the Vermilion Parish Waterworks District No. 1'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 the Vermilion Parish Waterworks District No. 1's compliance with those requirements.

In our opinion, the Vermilion Parish Waterworks District No. 1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Vermilion Parish Waterworks District No. 1 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 the Vermilion Parish Waterworks District No. 1's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Vermilion Parish Waterworks District No. 1's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, others within the organization, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report 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
May 3, 2011

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-through Entity Identifying Number	Expended This Year
United States Department of Agriculture - Passed through State of Louisiana, Office of Rural Development:			
Water and Waste Disposal Loan and Grant Program			
Grant amount	* 10.760	N/A	\$ 1,211,395
Loan amount - Note (6)	* 10.760	N/A	<u>499,994</u>
Total Expenditures			<u>\$ 1,711,389</u>

* Denotes major program.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the federal grant and loan activity of the Vermilion Parish Waterworks District No. 1 (the District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The following program is considered a major federal program of the District: U.S. Department of Agriculture Water and Waste Disposal Loan and Grant Program.

(2) Loans Outstanding

Vermilion Parish Waterworks District No. 1 had the following loan balance outstanding at December 31, 2010:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Water and Waste Loan and Grant Program	10.760	<u>\$13,970,030</u>

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Part I. Summary of Auditor's Results:

1. An unqualified report was issued on the basic financial statements.
2. One significant deficiency in internal control were disclosed by the audit of the basic financial statements. The deficiency is reported as a material weakness.
3. There were no instances of noncompliance.
4. No significant deficiencies in internal control over the major programs were disclosed by the audit of the basic financial statements.
5. An unqualified opinion was issued on compliance for the major programs.
6. The audit disclosed no findings required to be reported under Section 510(a) of Circular A-133.
7. The following program was considered to be a major program:

U.S. Department of Agriculture: State of Louisiana, Office of Rural Development –
Water and Waste Disposal Loan and Grant Program, CFDA No. 10.760.
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Internal Control Findings –

See internal control finding 10-1(IC) on the schedule of current and prior year audit findings and management's corrective action plan.

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2010

B. Compliance Findings –

There are no findings required to be reported at December 31, 2010.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There are no findings and questioned costs related to federal programs.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2010

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

10-1 Inadequate Segregation of Accounting Functions

CONDITION: The Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions within the accounting system.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU§314.43 defines internal control as follows:

"Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Dale Stelly, System Manager, determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2010

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

09-1 Inadequate Segregation of Accounting Functions

CONDITION: The Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Based upon the cost-benefit of additional personnel, it would not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 10-1.

09-2 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Vermilion Parish Waterworks District No. 1 does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: Resolved.

09-3 Inadequate Bank Reconciliations

CONDITION: When examining bank reconciliations, it was noted that the operating bank account and the construction account were not accurately reconciled from January through July and no reconciliations were prepared for August through December for the operating account.

RECOMMENDATION: Bank accounts need to be reconciled accurately, timely, and reviewed monthly.

CURRENT STATUS: Resolved.

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2010

B: Compliance

09-4 Debt Covenants

CONDITION: The monthly deposits required to be made into the sinking fund, reserve fund, and contingency fund were not made at the right amount in October through December 2009 as required by the debt covenants.

RECOMMENDATION: Management needs to make sure to adhere to the payment schedules setup by the debt covenants.

CURRENT STATUS: Resolved.