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**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1**

**Annual Financial Statements  
And Independent Auditor's Report  
Year Ended December 31, 2005 and 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 8-9-06

**JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO. 1**  
**Annual Financial Report**  
December 31, 2005 and 2004

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# Mike B. Gillespie, CPA

(A Professional Accounting Corporation)

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## INDEPENDENT AUDITOR'S REPORT

To the Board Member of the  
Jefferson Davis Parish  
Water & Sewer Commission No. 1  
Lake Arthur, Louisiana

I have audited the accompanying basic financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the Commission adopted the provisions of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*, during the year ended December 31, 2004.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated June 1, 2006, on my consideration of the Commission's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 *Governmental Auditing Standards* and should be considered in assessing the results of my audits.

The Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audits were performed for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplemental information schedules listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Commission. The supplemental information schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mike B. Gillespie, CPA, APAC*

Jennings, Louisiana  
June 1, 2006

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 26,427	\$ 33,518
Investments- certificates of deposit	15,649	13,147
Accrued interest receivable	262	182
Customer receivables, net of bad debt allowance of \$4,000 and \$0	81,174	79,207
Prepaid expenses	1,667	6,859
Total current assets	125,179	132,913
Noncurrent assets:		
Restricted assets:		
Cash and equivalents	111,274	77,430
Investments- certificates of deposit	78,028	58,473
Total restricted assets	189,302	135,903
Loan costs, net of amortization	80,980	83,634
Capital assets (net of accumulated depreciation)	6,621,754	6,778,144
Total noncurrent assets	6,892,036	6,997,681
<b>TOTAL ASSETS</b>	<b>\$ 7,017,215</b>	<b>\$ 7,130,594</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 6,398	\$ 9,632
Salaries, payroll and other taxes payable	3,585	3,385
Accrued interest payable	5,300	5,361
Due to other governments	500	500
Current portion of long-term debt	64,118	60,074
Total current liabilities	79,901	78,952
Current liabilities payable from restricted assets:		
Customer deposits	119,835	101,835
Total current liabilities payable from restricted assets	119,835	101,835
Noncurrent liabilities:		
Compensated absences, net of current portion	4,398	10,929
Revenue bonds payable, net of current portion	4,790,708	4,850,552
Total noncurrent liabilities	4,795,106	4,861,481
Total liabilities	4,994,842	5,042,268
Net assets		
Invested in capital assets, net of related debt	1,908,428	1,984,334
Restricted for construction	13,223	3,398
Unrestricted	100,722	100,594
<b>TOTAL NET ASSETS</b>	<b>\$ 2,022,373</b>	<b>\$ 2,088,326</b>

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES :</b>		
Charges for sales and services	\$ 610,209	\$ 541,447
<b>OPERATING EXPENSES :</b>		
Salaries and related benefits (net of amounts capitalized of \$0 and \$8,652 )	157,914	152,759
Operating services:		
Advertising	1,987	1,171
Copier lease	1,155	1,265
Software maintenance	2,695	2,450
Dues and subscriptions	225	260
Insurance-general	20,475	2,865
Licenses and fees	6,811	6,763
Miscellaneous expense	1,616	1,453
Outside labor	10,304	3,010
Professional fees	12,522	12,800
Provision for bad debts	4,000	-
Postage	6,597	5,646
Reimbursements	308	532
Security	-	831
Seminars	1,170	723
Telephone	5,990	7,876
Travel- lodging, mileage & meals	688	3,845
Utilities	23,949	20,499
Materials, supplies and repairs:		
Vehicle expenses	11,495	11,424
Office expense	9,645	9,551
Repairs and maintenance	8,170	11,829
Supplies and chemicals	46,550	28,334
Depreciation expense	191,838	161,636
Total operating expenses	526,104	447,522
Operating Income (Loss)	84,105	93,925
<b>NON-OPERATING REVENUES (EXPENSES) :</b>		
Other non-operating revenue	2,921	1,063
Interest income	2,360	1,294
Interest expense (net of amounts capitalized of \$0 and \$41,574)	(194,606)	(154,159)
Amortization of bond issue costs	(2,654)	(2,074)
Total non-operating revenues (expenses)	(191,979)	(153,876)
Income (loss) before capital contributions and special item	(107,874)	(59,951)
<b>CAPITAL CONTRIBUTIONS:</b>		
Federal grants	36,084	618,122
State department of agriculture	5,837	37,135
<b>SPECIAL ITEM:</b>		
Loss on abandonment of assets	-	(58,574)
Change in net assets	(65,953)	536,732
<b>TOTAL NET ASSETS - BEGINNING</b>	2,088,326	1,551,594
<b>TOTAL NET ASSETS - ENDING</b>	\$ 2,022,373	\$ 2,088,326

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**STATEMENTS OF CASH FLOWS**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 622,242	\$ 492,518
Payments to suppliers	(174,394)	(168,877)
Payments to employees	(158,481)	(138,889)
Net cash provided by operating activities	289,367	184,752
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other revenue sources	6,117	1,063
Net cash provided by noncapital financing activities	6,117	1,063
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	-	178,737
Capital contributions	41,921	655,257
Purchases of capital assets	(38,644)	(779,933)
Principal paid on capital debt	(57,564)	(37,914)
Interest paid on capital debt	(194,667)	(240,650)
Deferred charges incurred	-	(31,448)
Other receipts (payments)	-	(4,000)
Net cash (used) by capital and related financing activities	(248,954)	(259,951)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales on investments	72,014	70,882
Purchase of investments	(94,071)	(72,047)
Interest received	2,280	1,288
Net cash provided (used) by investing activities	(19,777)	123
Net increase (decrease) in cash and cash equivalents	26,753	(74,013)
Cash and cash equivalents - beginning of the year	110,948	184,961
Cash and cash equivalents - end of the year	\$ 137,701	\$ 110,948
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 84,105	\$ 93,925
Adjustments to reconcile operating income to net cash provided (used by) operating activities:		
Depreciation expense	191,838	161,636
(Increase) decrease in accounts receivable	(1,967)	(44,690)
(Increase) decrease in prepaid expenses	5,192	(5,753)
Increase (decrease) in customer deposits	18,000	(4,239)
Increase (decrease) in accounts payable	(3,234)	(29,997)
Increase (decrease) in accrued payroll expenses	(4,567)	13,870
Net cash provided by operating activities	\$ 289,367	\$ 184,752

**NONCASH CAPITAL FINANCING ACTIVITIES**

Capital assets with a remaining book value of \$58,574 were abandoned during 2004.

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**INTRODUCTION**

The Water and Sewer Commission No. 1 of the Parish of Jefferson Davis (Commission) was created by the Jefferson Davis Parish Police Jury pursuant to LSA-RS 33.3811 in 1999. The Commission has the power and authority, within its boundaries, to establish, acquire, construct, improve, extend and maintain a waterworks system. The Commission is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 6, Section 30.

Under the provision of LSA-RS 33:8812, the Commission shall be governed and controlled by five commissioners who shall be the governing authority of the district. These commissioners must be a resident of and own at least the five hundred dollars worth of real estate in the district, or they must be the representative of some corporation owning at least five hundred dollars in real estate in the district. These commissioners are appointed by the Jefferson Davis Police Jury. All commissioners shall serve at the pleasure of the authority which appointed them.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the Commission is a component unit of Jefferson Davis Parish Police Jury. The accompanying financial statements present information only as to the transactions of the Commission and are not intended to present fairly the financial position and results of operations of the Jefferson Davis Parish Police Jury.

**C. FUND ACCOUNTING**

The Jefferson Davis Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.



**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the Commission's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Commission has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinion or Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989.

**E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and these investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

**F. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Commission considers accounts receivable to be collectible when received within 60 days of being billed and/or a security deposit is available; accordingly, an allowance for doubtful accounts has been established for amounts not meeting these criteria. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

**G. PREPAID EXPENSE**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. RESTRICTED ASSETS / RESOURCES**

Restricted assets consist of: 1) the "Customer Deposit" account, which is used to segregate water meter deposits used to pay an outstanding water bill when customers discontinue service, 2) the "Construction Fund" account, which is used to segregate resources used for capital improvements and renovations, and 3) the "Sinking", "Debt Service Reserve", and "Contingency" accounts, which are all used to segregate resources to pay debt services. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**NOTES TO FINANCIAL STATEMENTS**

**I. CAPITAL ASSETS**

Capital assets of the Commission are recorded at historical cost. The Commission maintains a individual asset threshold level for capitalization of \$1,000 for movable assets. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible capital assets are charged as an expense against operations. Capital assets reported on the statement of net assets are net of accumulated depreciation, exclusive of those reported under construction in progress. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water well	30-years
Storage and treatment plant	5-50 years
Water distribution system	10-50 years
Office equipment	5 years
Equipment	5-20 years
Vehicles	5 years

**J. COMPENSATED ABSENCES**

Compensation time earned in lieu of overtime pay is accrued when incurred by the Commission.

**K. NET ASSETS**

A portion of total net assets of the Commission is isolated to indicate that a part of net assets is legally restricted for a specific future use. Net assets restricted for construction and debt service are provided for in the financial statements.

**L. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**M. CAPITALIZATION OF INTEREST**

Financial Accounting Standards Board (FASB) Statement No. 34 *Capitalization of Interest Costs* requires that interest expenditures incurred during construction of assets be capitalized. FASB Statement No. 62 *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$0 and \$41,574 during 2005 and 2004.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**N. DEFERRED CHARGES**

The various fees incurred in connection with obtaining and issuing the revenue bonds have been capitalized and are being amortized over a period equal to the term of the bond using the interest method. Amortization expense amounted to \$2,654 and \$2,074 for the years ended December 31, 2005 and 2004, respectively.

**O. OPERATING AND NONOPERATING ITEMS**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges to customers for sales and services. Operating expenses included cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**2. DEPOSITS AND INVESTMENTS**

**Deposits**

At December 31, the Commission has cash equivalents (book balances) as follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ <u>137,701</u>	\$ <u>110,948</u>
Total Book Balances	\$ <u>137,701</u>	\$ <u>110,948</u>

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. 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.

Custodial credit risk is the risk that in the event of a bank failure deposits may not be returned to the Commission. The Commission's deposit policy for custodial credit risk requires that all uninsured deposits must be secured with acceptable collateral as defined in LRS 38:1221 valued at market. As of December 31, 2005 and 2004, the Commission had deposits (collected bank balances) totaling \$154,426 and \$116,928. Of these bank deposit balances, \$54,426 and \$16,928 were exposed to custodial credit risk as follows: Uninsured and collateral held by pledging bank's agent not in the Commission's name \$54,426 and \$16,928.

Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, *Deposits and Investment Risk Disclosures*, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**Investments**

The Commission invests only in nonnegotiable certificates of deposits. Pursuant to GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

At year end, the Commission's investments were as follows:

Investment Type	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Certificates of Deposit	\$ 93,677	\$ 93,677	\$ 71,620	\$ 71,620
Total	<u>\$ 93,677</u>	<u>\$ 93,677</u>	<u>\$ 71,620</u>	<u>\$ 71,620</u>

All of the investments listed above have a maturity of less than one year from year end.

For an investment custodial credit risk is the risk that, in the event of a failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy for custodial credit risk requires that all uninsured investments must be secured with acceptable collateral as defined in LRS 38:1221 valued at market. As of December 31, 2005 and 2004, the Commission had investments totaling \$93,677 and \$71,620. Of these balances, none were exposed to custodial credit risk beyond federal deposit insurance coverage.

A reconciliation of deposits and investments as shown on the statement of net assets are as follows:

	2005	2004
Carrying amount of deposits	\$ 137,701	\$ 110,948
Carrying amount of investments	93,677	71,620
Total	<u>\$ 231,378</u>	<u>\$ 182,568</u>
Cash equivalents	\$ 26,427	\$ 33,518
Cash equivalents – Restricted	111,274	77,430
Investments	15,649	13,147
Investments – Restricted	78,028	58,473
Total	<u>\$ 231,378</u>	<u>\$ 182,568</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**3. RECEIVABLES**

The following is a summary of receivables at year end:

Customer receivables:	2005	2004
Current	\$ 48,653	\$ 47,643
Past Due	11,859	7,023
Gross customer receivables	<u>60,512</u>	<u>54,666</u>
Accrued unbilled receivables	24,662	24,541
Other	-	-
Less: allowance for doubtful accounts	<u>(4,000)</u>	<u>-</u>
Net total receivables	<u>\$ 81,174</u>	<u>\$ 79,207</u>

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on an assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**4. RESTRICTED ASSETS**

Assets were restricted for the following purposes at year end:

	2005	2004
Customer deposits	\$ 119,835	101,835
Revenue bond construction account	13,223	3,398
Revenue bond current debt service sinking fund account	100	144
Revenue bond future debt service reserve account	28,072	15,263
Revenue bond depreciation and contingency account	<u>28,072</u>	<u>15,263</u>
Total	<u>\$ 189,302</u>	<u>135,903</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

A summary of capital assets for the year ended December 31, 2005 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 19,284	-	-	-	19,284
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	19,284	-	-	-	19,284
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,489,890	-	-	-	1,489,890
Buildings	234,958	-	-	800	234,158
Water distribution system	4,895,248	18,569	-	-	4,913,816
Office equipment	30,744	11,508	-	4,730	37,522
Equipment	93,554	8,567	-	-	102,121
Vehicles	71,779	-	-	-	71,779
Total capital assets being depreciated	7,142,610	38,644	-	5,530	7,175,723
Less accumulated depreciation for:					
Water well	17,604	10,881	-	-	28,485
Storage and treatment plant	113,053	49,663	-	-	162,717
Buildings	2,378	5,878	-	37	8,218
Water distribution system	211,471	97,742	-	-	309,212
Office equipment	14,436	5,874	-	2,297	18,014
Equipment	8,485	7,444	-	-	15,929
Vehicles	16,323	14,356	-	-	30,678
Total accumulated depreciation	383,750	191,838	-	2,334	573,253
Total capital assets being depreciated, net	6,758,860	(153,194)	-	3,196	6,602,470
Capital assets, net	\$ 6,778,144	(153,194)	-	3,196	6,621,754

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

A summary of capital assets for the year ended December 31, 2004 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 19,284	-	-	-	19,284
Construction in progress	3,227,896	441,325	(3,637,772)	31,449	-
Total capital assets not being depreciated	3,247,180	441,325	(3,637,772)	31,449	19,284
Capital assets being depreciated:					
Water well	234,596	-	175,355	83,514	326,437
Storage and treatment plant	1,318,975	-	276,975	106,060	1,489,890
Buildings	-	800	234,158	-	234,958
Water distribution system	1,945,541	-	2,951,284	1,577	4,895,248
Office equipment	30,203	541	-	-	30,744
Equipment	56,608	36,946	-	-	93,554
Vehicles	21,411	50,368	-	-	71,779
Total capital assets being depreciated	3,607,334	88,655	3,637,772	191,151	7,142,610
Less accumulated depreciation for:					
Water well	82,857	9,420	-	74,673	17,604
Storage and treatment plant	122,488	47,354	-	56,789	113,053
Buildings	-	2,378	-	-	2,378
Water distribution system	129,694	82,893	-	1,116	211,471
Office equipment	9,228	5,208	-	-	14,436
Equipment	4,001	4,484	-	-	8,485
Vehicles	6,424	9,899	-	-	16,323
Total accumulated depreciation	354,692	161,636	-	132,578	383,750
Total capital assets being depreciated, net	3,252,642	(72,981)	3,637,772	58,573	6,758,860
Capital assets, net	\$ 6,499,822	368,344	-	90,022	6,778,144

**7. LONG-TERM DEBT**

The long-term debt of the Commission consists of various revenue bonds payable to the United States Department of Agriculture as follows:

	2005	2004
\$1,765,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$57,362.50 due August 21, 2002, thereafter payable in monthly installments of \$6,671.70, including principal and interest, to August 21, 2041, interest at 3.25%.	\$ 1,685,257	1,710,108

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**NOTES TO FINANCIAL STATEMENTS**

\$165,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$7,425 due August 21, 2002, thereafter payable in monthly installments of \$749.10, including principal and interest, to August 21, 2041, interest at 4.5%.

159,393                      161,166

\$3,049,000 US Department of Agriculture revenue bond, dated July 21, 2003, one interest only payment of \$133,394 due July 21, 2004, thereafter payable in monthly installments of \$13,598.54, including principal and interest, to July 21, 2043, interest at 4.375%.

3,005,899                      3,036,840

Less current portion

(59,841)                      (57,562)  
\$ 4,790,708                      4,850,552

The annual requirements to amortize all debts outstanding including interest are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 59,841	192,390	252,231
2007	62,217	190,017	252,234
2008	64,687	187,545	252,232
2009	67,258	184,974	252,232
2010	69,933	182,299	252,232
2011-2015	393,763	867,398	1,261,161
2016-2020	479,010	782,150	1,261,160
2021-2025	583,159	678,002	1,261,161
2026-2030	710,486	550,674	1,261,160
2031-2035	866,257	394,903	1,261,160
2036-2040	1,056,953	204,207	1,261,160
2041-2045	436,986	23,339	460,325
<b>Total</b>	<b>\$ 4,850,550</b>	<b>4,437,898</b>	<b>9,288,448</b>

The following is a summary of long-term liability activity for the year ended December 31, 2005:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 13,441	\$ 2,083	\$ 6,849	\$ 8,675	\$ 4,277
Revenue bonds	4,908,114	-	57,565	4,850,549	59,841
<b>Total long-term liability</b>	<b>\$ 4,921,555</b>	<b>\$ 2,083</b>	<b>\$ 64,414</b>	<b>\$ 4,859,224</b>	<b>\$ 64,118</b>



**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

The following is a summary of long-term liability activity for the year ended December 31, 2004:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Ending</u>	<u>Due Within One Year</u>
Compensated absences	\$ -	\$ 13,441	\$ -	\$ 13,441	\$ 2,512
Revenue bonds	<u>4,767,290</u>	<u>178,737</u>	<u>37,913</u>	<u>4,908,114</u>	<u>57,562</u>
Total long- term liability	\$ <u>4,767,290</u>	\$ <u>192,178</u>	\$ <u>37,913</u>	\$ <u>4,921,555</u>	\$ <u>60,074</u>

**8. COMPENSATED ABSENCES**

All regular full time employees who work overtime in their daily operations are compensated with time and a half of their regular salary. Employees can accumulate compensatory time in lieu of payment for overtime. The Commission's standard policy for sick and vacation leave it does not accumulate or vest past year end. As a result no liability is reported for unpaid accumulated sick or vacation leave at year end.

**9. RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2005, the Commission carries commercial insurance for the aforementioned risk. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis Parish Police Jury. During the construction phase, contractor nonperformance and liability risk is protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission, which ever is less.

**10. INTEREST COST**

Interest costs recorded in financial statements consist of the following:

	<u>2005</u>	<u>2004</u>
Interest paid	\$ 194,667	240,650
Interest accrual change	(61)	(44,917)
Total interest recorded	<u>194,606</u>	<u>195,733</u>
Less amount capitalized in construction in progress	-	(41,574)
Amount charge to expense	\$ <u>194,606</u>	<u>154,159</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**11. SUBSEQUENT EVENTS**

As of December 31, 2005, the Commission has a Phase III project pending with the United States Department of Agriculture- Rural Utility System. This project is estimated to cost \$1,925,000 and will add an additional thirty-five miles of pipeline and increase the customer base by approximately 500. As of this date it is unknown when or how much of this project will be funded by grants and how much by revenue bonds.

**12. LITIGATION AND CLAIMS**

The Commission is not presently involved in any litigation as plaintiff or defendant.

**13. CHANGES IN ACCOUNTING PRINCIPLES**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement No. 34 established accounting and financial statement presentation standards for all state and local governmental entities which include a management's discussion and analysis (which managements has elected not to present), statement of net assets; a statement of revenue, expense, and change in net asset; and a statement of cash flows (using the direct method). The Commission adopted this change in accounting principle in 2004.

**14. RECLASSIFICATIONS**

Certain amounts represented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**SUPPLEMENTAL INFORMATION SCHEDULES**

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1  
Schedule of Compensation and other Expenses Paid to Commissioners  
For the Year Ended December 31, 2005**

Board Member

Gregory Bordelon	\$	660
Mike Perry		420
Don Johnson		660
Irving Jones		660
Raymond Brown		600
Chad Woods		540
John Juneau		<u>720</u>
	\$	<u>4,260</u>

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1**

**Additional Information Required by United States Department of Agriculture  
For the Year Ended December 31, 2005**

1. Accounts receivable for sales of water were aged as follows:

<u>Aging Category</u>	<u>Number of Customers</u>	<u>Receivable Amount</u>
Current	2,050	\$ 47,270
Past Due & Inactive	331	13,242
	<u>2,381</u>	<u>\$ 60,512</u>

2. Estimated number of active customers as of year end:

Residential	1,990
Commercial	60

3. Schedule of insurance in force was as follows:

<u>Policy No.</u>	<u>Company</u>	<u>Agent</u>	<u>Type Coverage</u>	<u>Amount Coverage</u>	<u>Effective From</u>	<u>Date To</u>
M710105-005	LA Parish Government Risk Management		Workers' Compensation	\$1,000,000	1/1/05	12/31/05
60168971927	Western Surety Company	Ed Cassidy Insurance Agency, Inc.	Employee Bond	\$166,000	2/24/05	2/24/06
GWPKG0035 500	Arch Insurance Company	Arthur J Gallagher Agency	Buildings & contents, General Liability, Auto	Building & Plant \$960,120 Contents & Pump \$52,800 GL Occurrence \$1,000,000 GL aggregate \$2,000,000, Auto 100,000 Employee Dishonest \$350,000	4/14/05	4/14/06

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1**

**Additional Information Required by United States Department of Agriculture  
For the Year Ended December 31, 2005**

4. Schedule of approved water rates were as follows:

\$13.00 minimum per month for the first 2,000 gallons, effective January 1, 2006 this amount will increase to \$14.50 pursuant to board resolution dated August 2, 2005

\$2.85 per thousand or part thereof all over 2,000 gallons

10% late fee is assessed on past dues

## **OTHER REPORTS**

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2005**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

No findings reported.

**SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**U.S. Department of Agriculture**

**Finding 2004-1: Reporting Requirements**

Condition: Financial reporting requirements of this program require that a budget approved by the board be submitted to the local USDA, Rural Development office before the beginning of the next fiscal year. Inquiries with auditee management and the local Rural Development office disclosed an approved budget for 2004 was not submitted before the beginning of the fiscal year as required under this program and Form RD 442-2 –Statement of Budget, Income and Equity instructions.

Recommendation: Management should submit a board approved annual budget before the beginning of the next fiscal year. In addition, management should obtain written reporting requirement procedures from the local USDA, Rural Development office. In addition, management may want to consider attending workshops or purchasing resources related to USDA, Rural Development federal grant and loan program management.

Current Status/ Management Action Taken: The recommendations of the independent auditor were implemented during 2005. A budget for 2006 was approved by the board and submitted to the local USDA, Rural Development office before the beginning of the next fiscal year.

**SECTION III – MANAGEMENT LETTER FINDINGS**

No findings reported.



# Mike B. Gillespie, CPA

(A Professional Accounting Corporation)

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PO Box 1347, Jennings, LA 70546  
Phone (337) 824-7773

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Board Members of the  
Jefferson Davis Parish Water & Sewer Commission No. 1  
Lake Arthur, Louisiana

I have audited the basic financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the years ended December 31, 2005 and 2004, and have issued my report thereon dated June 1, 2006. I conducted my audits 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 my audit, I considered the Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Commission's board members, management, others within the organization, and the Louisiana Legislative Audit Advisory Council, 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. However, this report is a matter of public record and its distribution is not limited.

*Mike B. Gillespie, CPA, APAC*

Jennings, Louisiana  
June 1, 2006

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended December 31, 2005**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

1. Type of report issued: unqualified opinion on the general purpose financial statements
2. Internal control over financial reporting:
  - Material weakness(es) identified? – No
  - Reportable conditions(s) identified that are not considered to be material weakness(es)? - No
3. Noncompliance material to the financial statements note? – No
4. Was a management letter issued? – No

***Federal Awards***

5. Internal control over major programs:
  - Material weakness(es) identified? – No
  - Reportable condition(s) identified that that are not considered to be material weakness(es)? - No
6. Type of auditor's report issued on compliance for major programs: Not applicable
7. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No
8. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Program Name</u>
Not applicable	Not applicable

9. The threshold used for distinguishing between Type A and B programs was: Not applicable
10. Did the auditee qualify as a low risk auditee? – Not applicable

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Unresolved Prior Year Findings:**

No unresolved findings.

**Current Year Findings:**

No findings reported.

**SECTION III –FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings reported.

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO.1  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2005**

**SECTION I – FINANACIAL STATEMENT FINDINGS**

No current year findings reported.

**SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No current year findings reported.

**SECTION III – MANAGEMENT LETTER**

No current year findings reported.

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THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT