

**ST. TAMMANY PARISH
COMMUNICATION DISTRICT NO. 1
ST. TAMMANY PARISH, LOUISIANA**

**ANNUAL FINANCIAL STATEMENTS
December 31, 2005**

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 7-26-06

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
REQUIRED SUPPLEMENTAL INFORMATION (PART I) MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUND:	
BALANCE SHEET - GENERAL FUND	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GENERAL FUND	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	15
NOTES TO FINANCIAL STATEMENTS	16 - 25
REQUIRED SUPPLEMENTAL INFORMATION (PART II) BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS	27
OTHER SUPPLEMENTAL INFORMATION SCHEDULE OF GOVERNING BOARD	29
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	30 - 31



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
St. Tammany Parish Communication District No. 1
St. Tammany Parish, Louisiana

Independent Auditor's Report

We have audited the governmental activities and the major fund of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1**, (District) a component unit of the St. Tammany Parish Council, as of December 31, 2005, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 basic 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 governmental activities and the major fund of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** as of December 31, 2005, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 28, 2006, on our consideration of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 8 and the budgetary comparison schedule on page 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was made for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

March 28, 2006

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2005**

The following discussion and analysis of fiscal operations for the year is intended to supplement the annual financial audit completed by LaPorte Sehr Romig Hand. This discussion will supplement the audit information and provide an explanation of the financial operations of **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** (the District). This document is not intended as a replacement of the financial audit, nor is it intended to be a duplication of that report. Rather, it is an attempt to restate various components of the audit in laymen's terms and offer understanding of the District's financial posture.

The audit for 2005 is an analysis of the management practices followed by the Commissioners and the staff, and indicates no questioned costs or practices by the District. This analysis will explain the financial decisions made by the Commissioners and how they relate to the operation of the District and the public safety agencies. The operations of the District are designed to compliment and supplement, but not replace, the operations of the various public safety agencies in the Parish.

This is the third year that the District is following the revised format for the annual audit. An audit of a special purpose District in Louisiana provides a unique combination of government-wide financial statements and the more familiar fund financial statements. This analysis will discuss both types and it will also explain the differences in the information each provides.

The "Statement of Net Assets" is essentially a balance sheet presented in a format similar to that which one would expect to see for a business rather than a governmental entity. This statement shows capital assets (less the accumulated depreciation taken on these assets) included in Total Assets. The "Balance Sheet – Governmental Funds" shows the value of cash, receivables, and investments, but does not reflect the value of other assets. This "Balance Sheet – Governmental Funds" is provided to show a clearer picture of the short-term financial position and is very similar to what is commonly referred to as government fund accounting. The "Balance Sheet – Governmental Funds" shows the potential funds that the District has at its disposal, along with the various restrictions placed on some of these funds, to assist in planning future actions that will require the expenditure of funds.

Funds that are invested in capital assets, such as furniture, computer equipment, the 911 telephone system, or real estate, are not funds that are readily available for use, and the dollar amount listed for capital assets does not necessarily reflect the current market value of these assets. For example, if the District were to sell the 911 equipment or computers there is a very strong likelihood these would not bring the amount paid to purchase and install the equipment (less the depreciation deducted since the purchase). Conversely, the value of real estate could well have appreciated in value and be worth more than the amount reflected on the financial statements. In any case, these values are not something that can be readily converted into cash and that cash then used to purchase other assets, such as equipment for the new communications center. For these reasons the "Balance Sheet – Governmental Funds" is provided to show more clearly the funds that are available to the District that could perhaps be used for such purchases.

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2005**

Please note on the "Balance Sheet – Governmental Funds" that some of the funds are listed as reserved or designated for certain uses. The funds designated as "Reserved – Construction" are funds from the bonds issued by the District in 2003, and their usage is restricted by the terms of that offering to construction of the new communications center. The funds marked "Designated for Construction" are additional funds that the Board has specifically set aside for the construction project and are not considered available for other uses. The remainder of the funds Reserved for Construction as well as the funds Designated for Construction were expended in 2005, on the construction of the new communications center, a project that is continuing into 2006.

The funds marked "Designated for System Upgrade" are committed by the Board to be used for upgrades to the 911 system itself. The funds marked "Designated for Contingency" were specifically dedicated by the Board to be set aside and reserved for unplanned system emergencies, should these occur. These funds are not available for the construction project. Finally, the funds marked "Undesignated" are not currently designated to any particular project and may be used at the Board's discretion.

It might be helpful to note that at the bottom of the "Balance Sheet – Governmental Funds" are entries to show net assets by adding in the current depreciated value of capital assets and removing long-term liabilities (the bond issue) and the accrued interest. These were not shown as a current liability because their repayment is pledged by future income and will not be repaid using current funds designated for the construction project or other uses, but are reflected in "Net Assets of Governmental Activities" to show the long-term financial picture.

The following is a summary of the Statement of Net Assets:

**Condensed Statement of Net Assets
As of December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Total Current Assets	\$ 3,237,964	\$ 4,384,751	\$ (1,146,787)
Noncurrent Assets:			
Capital Assets - Net	<u>1,956,264</u>	<u>559,688</u>	<u>1,396,576</u>
Total Assets	<u>5,194,228</u>	<u>4,944,439</u>	<u>249,789</u>
Current Liabilities	50,384	153,626	(103,242)
Long-Term Liabilities	<u>1,310,000</u>	<u>1,630,000</u>	<u>(320,000)</u>
Total Liabilities	<u>1,360,384</u>	<u>1,783,626</u>	<u>(423,242)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	646,263	(70,312)	716,575
Restricted	-	1,000,000	(1,000,000)
Designated	1,500,000	1,900,000	(400,000)
Unrestricted	<u>1,687,581</u>	<u>331,125</u>	<u>1,356,456</u>
Total Net Assets	<u>\$ 3,833,844</u>	<u>\$ 3,160,813</u>	<u>\$ 673,031</u>

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2005**

The "Statement of Activities" is a summarized income statement where interest on the bond issue is shown as one entry and all other expenses related to the operation of the 911 system (Public Safety) are listed as a combined item. These expense and revenue items are then shown as a net change for the year, along with the beginning and ending value of the net assets that reflect the impact of the year's activity.

The following is a summary of the Statement of Activities:

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>	<u>Change</u>
OPERATING GRANTS AND CONTRIBUTIONS	\$ 23,016	\$ 30,000	\$ (6,984)
GENERAL REVENUES			
Fees	2,976,989	2,720,974	256,015
Miscellaneous	1,290	-	1,290
Interest and Investment Earnings	<u>89,394</u>	<u>29,342</u>	<u>60,052</u>
Total Revenues	<u>3,090,689</u>	<u>2,780,316</u>	<u>310,373</u>
PUBLIC SAFETY	2,367,266	2,338,378	28,888
INTEREST ON LONG-TERM DEBT	<u>50,392</u>	<u>62,286</u>	<u>(11,894)</u>
Total Expenses	<u>2,417,658</u>	<u>2,400,664</u>	<u>16,994</u>
CHANGE IN NET ASSETS	673,031	379,652	293,379
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>3,160,813</u>	<u>2,781,161</u>	<u>379,652</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 3,833,844</u>	<u>\$ 3,160,813</u>	<u>\$ 673,031</u>

The "Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund – General Fund" is an income statement in a format that more closely resembles that of the annual budget. It shows expenses detailed by various categories, and shows the Parish reimbursements as income items rather than as a reduction in expense.

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2005**

In general, these financial statements do not reflect any unexpected or unplanned financial occurrences of major consequence. As predicted, a shift is occurring from wireline to wireless telephones and this is creating a shift in the source of income, although it has not had a major impact on the total revenue stream thus far. Income from the traditional wireline based telephone and the newer wireless telephones now produce approximately equal levels of income, a shift from the 60/40 ratio of only a year ago. The shift from wireline to wireless will continue well into the future and it will have an impact on the District's financial position. Current legislation allows the collection of a monthly fee of \$1 on residential lines and \$2 on business phone line, whereas wireless telephones only remit a fee of eighty-five cents per line regardless of residential or business usage. This trend to wireless will obviously have an effect on the amount of surcharge remitted per telephone line. Not quite so obvious is the potential of an actual reduction in the number of phone lines remitting a fee. Today many Parish residents have both a wireline phone for the home and a wireless phone for use while mobile. A growing trend is to have only the wireless phone and use it as the home phone, eliminating the separate wireline phone. Hurricane Katrina had only a minimal effect on the income for the District. The reduction in landline phones caused by the destruction of homes was offset by the increase in cell phone revenues from new residents temporarily located in St. Tammany Parish. Since most of the wireless carriers remit income on a quarterly basis the reduction was spread out over a period of several months with the new revenue offsetting the hurricane losses.

In addition to this shift in technology, the industry is also seeing new telecommunication services being offered that can be used to place an emergency call to 911 but may not be remitting the monthly surcharge under current rules. These will include such things as using the Internet to obtain telephone service (VoIP), and even broadband based Wi-Fi radio technology to use Personal Data Assistants as well as other devices to place calls. We are in a rapidly changing telecommunications environment and the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1**, along with other 911 entities, is working with the Louisiana Public Service Commission and the FCC to ascertain that developing technologies are required to pay their fair share of the expense of maintaining the emergency communications infrastructure. In addition to the fiscal concerns of these developing technologies, there are also many logistical concerns to ascertain that the emergency call is delivered to the correct agency, as well as to avoid the disorganization that was created when wireless telephone service was initiated with little or no planning of how to route emergency calls to 911. Several industry groups are currently working on these technology challenges and the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** will be actively involved to assure that the 911 telephone system maintains the ability to effectively process all requests for emergency assistance.

Also evident in the financial statements is the financial activity for assisting the Parish in implementing a new communications center. This project has been several years in the making and has undergone a series of evolutions as the plans were adjusted to provide the best long-term solution for the dispatch of emergency service. Several options to build completely new facilities were considered, and ultimately rejected, and the District is now actively working with the Parish to utilize the old courthouse in downtown Covington as a center for emergency services. The Emergency Operations Center was constructed here in 2003, and the new communications center was to be constructed in 2004 and 2005. Delays in the bidding process have now pushed this project out to a 2005-2006 timeframe. Funding for this project is reflected in the various funds shown on the financial statements, with the project still proceeding as planned.

Wireless 911, Phase II, was implemented throughout the Parish in 2003. Phase II is the latest in wireless 911 technology and it enables the 911 system to identify the location of a *Phase II capable handset* when it is used to place a call to 911. It is important to note that not all handsets today display this information, so it is still very important that anyone using a wireless telephone to report an emergency be prepared to tell the

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2005**

dispatcher the location of the emergency. Today, approximately 60 percent of the handsets display this Phase II information, and this number is expected to increase as customers update their telephones and the wireless carriers complete their system enhancements. This location information is delivered to the emergency dispatcher in the form of a latitude and longitude coordinate, requiring a computerized mapping system to properly utilize the information.

Net Capital assets increased by \$1,396,576. This was the result of depreciation of \$155,639, which was less than capital asset additions of \$1,552,215.

In conclusion, the accompanying audit provides a very detailed examination of the financial practices of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** and the various financial statements indicate that the District has a solid financial foundation. They demonstrate that the commissioners have taken the proper steps to maintain financial stability as the District moves forward in assisting the Parish in a major upgrade of the emergency communications, and that adequate funding is available to complete the project as planned. The District commissioners, working through their staff, have clearly demonstrated the existence of a sound plan for the management of the District's fiscal resources.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

STATEMENT OF NET ASSETS

December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 606,039
Investments	2,255,300
Receivables	376,625
Capital Assets (Net of Accumulated Depreciation)	<u>1,956,264</u>
 Total Assets	 <u>5,194,228</u>
 LIABILITIES	
Accounts Payable	27,209
Accrued Expenses	19,355
Accrued Interest	3,820
Noncurrent Liabilities:	
Due Within One Year	335,000
Due in More than One Year	<u>975,000</u>
 Total Liabilities	 <u>1,360,384</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	646,264
Unrestricted:	
Designated for Contingency	500,000
Designated for System Upgrade	1,000,000
Undesignated	<u>1,687,580</u>
 Total Net Assets	 <u>\$ 3,833,844</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005**

<u>Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
Public Safety	\$ (2,367,266)	\$ 23,016	\$ (2,344,250)
Interest on Long-Term Debt	<u>(50,392)</u>	<u>-</u>	<u>(50,392)</u>
Total	<u>\$ (2,417,658)</u>	<u>\$ 23,016</u>	<u>(2,394,642)</u>
General Revenues:			
Fees:			
Line User Fees			1,555,084
Cellular Line			1,421,905
Miscellaneous Income			1,290
Interest and Investment Earnings			<u>89,394</u>
Total General Revenues			<u>3,067,673</u>
CHANGE IN NET ASSETS			673,031
NET ASSETS, BEGINNING OF YEAR			<u>3,160,813</u>
NET ASSETS, END OF YEAR			<u>\$ 3,833,844</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
December 31, 2005

ASSETS	
Cash and Cash Equivalents	\$ 606,039
Investments	2,255,300
Receivables	<u>376,625</u>
 Total Assets	 <u>\$ 3,237,964</u>
 LIABILITIES	
Accounts Payable	\$ 27,209
Accrued Expenses	<u>19,355</u>
 Total Liabilities	 <u>46,564</u>
 FUND BALANCE	
Designated - Contingency	500,000
Designated - System Upgrade	1,000,000
Unrestricted, Undesignated	<u>1,691,400</u>
 Total Fund Balance	 3,191,400
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,956,264
Long-term liabilities, including certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,310,000)
Accrued interest on long-term liabilities is not reported in the governmental funds.	<u>(3,820)</u>
 Net Assets of Governmental Activities	 <u>\$ 3,833,844</u>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUND**

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
For the Year Ended December 31, 2005**

REVENUES	
Line Income	
Land Line	\$ 1,555,084
Cellular	1,421,905
Intergovernmental	23,016
Miscellaneous Revenue	1,290
Investment Earnings	<u>89,394</u>
Total Revenues	<u>3,090,689</u>
EXPENDITURES	
911 System	1,837,804
Personnel	277,594
General	90,899
Debt Service:	
Principal	320,000
Interest	51,325
Capital Outlay	<u>1,557,545</u>
Total Expenditures	<u>4,135,167</u>
CHANGE IN FUND BALANCE	(1,044,478)
FUND BALANCE, BEGINNING OF YEAR	<u>4,235,878</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,191,400</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental fund (page 14) \$ (1,044,478)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,396,576

The issuance of long-term debt (e.g., certificates of indebtedness) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 320,933

Change in net assets of governmental activities (page 11) \$ 673,031

The accompanying notes are an integral part of these financial statement.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The mission of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** (the District) is to shorten the time required for a citizen to request and receive emergency aid. The District is mandated to take whatever actions are necessary to accomplish this task. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of significant accounting policies:

REPORTING ENTITY

The District was created in 1986 by Ordinance 687 of the St. Tammany Parish Council. The District is governed by a Board of Commissioners, which are appointed by the St. Tammany Parish Council. The Board is composed of seven members who constitute the governing body of the District. Selection of Board Members is as follows: one member nominated by the Parish Council, one member nominated by the St. Tammany Parish Sheriff's Office, one member nominated by the Parish hospitals, two members nominated by the Municipal Law Enforcement Agencies and two members nominated by the Fire Protection Districts. A chairman is elected by the Board members for a period of one year.

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish Council because it appoints all members of the District and as such is financially accountable for the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Government, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

BASIS OF PRESENTATION

The accompanying basic financial statements of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. 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 No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements (FFS)

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The only fund of the District is classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental fund:

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Pursuant to LRS 33:9106 and Act 1029 of the 2000 Regular Session of the Louisiana Legislature, the District is authorized to collect the following taxes per subscriber per devise per month within the District:

Residential	\$1.00
Commercial	\$2.00
Wireless	\$.85

Service charges are collected by the District on a monthly basis and are considered measurable at the month of collection. Accordingly, service charges incurred in December 2005, and remitted in 2006 have been reported as a receivable.

BUDGETS AND BUDGETARY ACCOUNTING

The District has adopted a budget for its General Fund. The budgetary practices include notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the District. Budgeted amounts in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts, lapse at year end. The District's budget is prepared on the cash basis of accounting which differs materially from the modified accrual basis required by accounting principles generally accepted in the United States of America.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at their fair market value.

CAPITAL ASSETS

All fixed assets of the District are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. The District was given a building that serves as headquarters for the 911 operations. This building was built in the early 1980's and through a calculation using a square footage formula, a reasonable estimate of the building's value was calculated at \$540,000.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes equipment and furniture in excess of \$2,500. The following estimated useful lives and methods are used to compute depreciation:

Building	30 years	Straight Line
Leasehold Improvements	30 years	Straight Line
Furniture, Fixtures and Equipment	7 - 10 years	Straight Line
Computers	5 - 10 years	Straight Line
Vehicles	5 years	Straight Line

Depreciation expense amounted to \$155,639 for the year ended December 31, 2005.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

USE OF RESTRICTED/UNRESTRICTED NET ASSETS

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

NOTE B

CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2005:

Demand Deposits	\$ 525,348
Money Market Fund	<u>80,691</u>
Total Cash and Cash Equivalents	<u>\$ 606,039</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.

At December 31, 2005, the District has \$640,583 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 in federal deposit insurance and \$540,583 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

At December 31, 2005, the District also has \$80,691 in a money market fund of U.S. Government securities, which is considered GASB Category 2.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE C

INVESTMENTS

As of June 30, 2005, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federal National Mortgage Assn.	4/17/2006	\$ 517,393
Federal Home Loan Mortgage Corporation	1/3/2006	1,024,000
Federal Home Loan Mortgage Corporation	2/21/2006	<u>713,907</u>
		<u>\$ 2,255,300</u>

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE D

ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2005, consists of service charges due from telephone companies of \$376,625. These receivables are considered to be fully collectible.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE E

CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Equipment and 911 System	\$ 1,726,035	\$ 4,418	\$ -	\$ 1,730,453
Building	540,000	-	-	540,000
Vehicles	46,989	28,716	-	75,705
Computers	42,818	11,581	-	54,399
Furniture	36,019	-	-	36,019
Leasehold Improvements	<u>97,514</u>	<u>1,507,500</u>	-	<u>1,605,014</u>
Total Capital Assets Being Depreciated	<u>2,489,375</u>	<u>1,552,215</u>	-	<u>4,041,590</u>
Less Accumulated Depreciation for:				
Equipment and 911 System	(1,593,125)	(114,508)	-	(1,707,633)
Building	(252,000)	(18,000)	-	(270,000)
Vehicles	(38,892)	(6,834)	-	(45,726)
Computers	(33,614)	(7,901)	-	(41,515)
Furniture	(9,076)	(5,146)	-	(14,222)
Leasehold Improvements	<u>(2,980)</u>	<u>(3,250)</u>	-	<u>(6,230)</u>
Total Accumulated Depreciation	<u>(1,929,687)</u>	<u>(155,639)</u>	-	<u>(2,085,326)</u>
Total Capital Assets Being Depreciated - Net	<u>\$ 559,688</u>	<u>\$ 1,396,576</u>	<u>\$ -</u>	<u>\$ 1,956,264</u>

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

NOTE F

CERTIFICATES OF INDEBTEDNESS

The District has a Series 2001 certificate of indebtedness it owes to a local bank. The District pays annual principal payments until June 1, 2011, and semiannual interest at an annual rate of 3.5%. The certificates are secured by the future revenues of the District.

The following is a summary of certificates of indebtedness transactions of the District for the year ended December 31, 2005:

Certificate of Indebtedness, Series 2001, Payable at January 1	\$ 1,630,000
Certificates Issued	-
Principal Payments	<u>320,000</u>
Certificate of Indebtedness, Series 2001, Payable at December 31	<u>\$ 1,310,000</u>

Future principal payments on the Certificates of Indebtedness, Series 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 1,</u>			
2006	\$ 335,000	\$ 39,987	\$ 374,987
2007	350,000	28,000	378,000
2008	145,000	19,337	164,337
2009	155,000	14,088	169,088
2010	160,000	8,575	168,575
2011	<u>165,000</u>	<u>2,888</u>	<u>167,888</u>
	<u>\$ 1,310,000</u>	<u>\$ 112,875</u>	<u>\$ 1,422,875</u>

NOTE G

PENSION PLAN

The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Parochial Employees' Retirement System of Louisiana (the Plan). The Plan provides retirement, disability and death benefits to Plan members and beneficiaries. The Plan was established by the Louisiana Legislature as of January 1, 1953, by act 205 of 1952. The system is administered by a Board of Trustees consisting of seven members. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Thomas B. Sims, CFA, Administrative Director, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G

PENSION PLAN (Continued)

Any person who is a permanent employee of the District and works at least 28 hours per week is eligible to participate in the Plan. Members are entitled to a retirement benefit at or after age 60 with 10 years of creditable service, at age 55 with 25 years of creditable service, or at any age with 30 years of creditable service. The retirement benefit is generally 1% of the member's final compensation plus \$2 per month for each year of service credited prior to January 1, 1980, and 3% of final compensation for each year of service after that date.

State legislation has established the obligations of the District and the employees for contributions at 11.75% and 9.5% of covered salaries, respectively. The District's contributions to the Plan for the years December 31, 2005, 2004 and 2003 was \$28,252, \$20,210 and \$8,595, respectively, equal to the required contributions for that year.

NOTE H

COMMITMENTS

The District has entered into an intergovernmental agreement with the St. Tammany Parish Sheriff. Pursuant to this agreement, the District will reimburse the Sheriff \$400,000 per year through 2009 for operation and maintenance of the 800MHz EDACS Communication System. The annual appropriation is contingent on the District having sufficient funds to provide for payment.

During the year ended December 31, 2004, the District entered into an intergovernmental agreement with the St. Tammany Parish Council whereby the District would have use of a portion of a Parish building. The term of the agreement is for four years beginning May 1, 2004. The District has the option to renew for an additional ten four year periods. The agreement calls for the District to pay for 30% of the renovations to the building. Also, the District will pay monthly its portion of the operating costs of the building.

NOTE I

STATUS OF WIRELESS E 911 IMPLEMENTATION

Pursuant to Louisiana Revised Statutes 33:9101 - 9109, the District has levied an emergency telephone service charge in the amount of \$.85 per wireless user per month. The proceeds of the service charge are to be used to pay for costs of implementing FCC mandates (Phase One) in order to provide an enhanced 911 service to wireless customers. The costs will include one-time payments to wireless suppliers to fund costs associated with Phase One. Enhanced 911 service provides the responding agency with location and other vital caller information. This service is already available to non-wireless customers.

LRS 33:9109 requires the District to negotiate and enter into cooperative endeavor agreements with each wireless supplier with customer addresses within St. Tammany Parish to ensure that the service charge is remitted and the service enhancements are implemented. LRS 33:9109 requires that implementation be completed within one year of tax levy. Also, it requires that information is included in the District's annual financial report on the revenues derived from the service charge, the use of such revenues and the status of implementation of enhanced 911 service.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I

STATUS OF WIRELESS E 911 IMPLEMENTATION (Continued)

During the year ended December 31, 2000, the District contacted each of the wireless suppliers who serviced customers within St. Tammany Parish. The District initiated negotiations with each provider. As of December 31, 2004, six of the suppliers have signed the cooperative endeavor agreement and three suppliers have not signed the agreement. One supplier will provide Phase One on its own with no reimbursement from the District. Two very small suppliers will not implement Phase One because they do not provide wireless service in St. Tammany Parish. They only pay fees because some of their customers have St. Tammany addresses.

The following is a summary of revenues derived from wireless service charges and how such funds were expended in the year ended December 31, 2005:

Total Funds Received from Wireless Service Charges	\$ 1,421,905
Expenditures Made Solely for Wireless 911	\$ 45,060
Portion of Total Expenditures Attributable to Wireless 911	\$ 2,315,693

Note: The expenditures attributable to wireless 911 calls are calculated using a percentage of wireless 911 calls to total 911 calls (including non-wireless calls) then applying that percentage to total expenditures.

NOTE J

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2005, the District carried insurance through various commercial carriers to cover all risks of losses. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE K

HURRICANE KATRINA

On August 29, 2005, St. Tammany Parish was severely impacted by Hurricane Katrina. The District does not expect that its future revenues will be affected by the storm.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CASH BASIS
For the Year Ended December 31, 2005**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Line Income				
Land Line	\$ 1,550,000	\$ 1,550,000	\$ 1,532,916	\$ (17,084)
Cellular	1,100,000	1,400,000	1,429,945	29,945
Intergovernmental	-	23,000	23,016	16
Miscellaneous Revenue	-	-	1,290	1,290
Investment Earnings	25,000	29,000	89,394	60,394
	<u>\$ 2,675,000</u>	<u>3,002,000</u>	<u>3,076,561</u>	<u>74,561</u>
EXPENDITURES				
911 System	1,519,300	1,988,700	1,955,939	32,761
Personnel	264,100	289,300	277,594	11,706
General	125,100	107,100	93,458	13,642
Debt Service:				
Principal	320,000	320,000	320,000	-
Interest	52,000	52,000	51,325	675
Capital Outlay	1,900,000	1,702,700	1,557,545	145,155
	<u>4,180,500</u>	<u>4,459,800</u>	<u>4,255,861</u>	<u>203,939</u>
CHANGE IN FUND BALANCE	<u>\$ (1,505,500)</u>	<u>\$ (1,457,800)</u>	(1,179,300)	<u>\$ 278,500</u>
Reconciliation to GAAP Change in Fund Balance:				
Revenues over Expenditures				
Accrual of Revenues Not Received Until Next Fiscal Year			376,626	
Reversal of Revenues Received in Current Fiscal Year, Which Relate to Prior Fiscal Year			(362,497)	
Accrual of Expenditures Incurred but Not Paid at December 31, 2005			(27,209)	
Reversal of Expenditures Incurred in Prior Fiscal Year but Not Paid Until Current Fiscal Year			<u>147,902</u>	
Change in Fund Balance - GAAP Basis			<u>\$ (1,044,478)</u>	

OTHER SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

SCHEDULE OF GOVERNING BOARD
December 31, 2005

<u>Board of Commissioners</u>	<u>Compensation</u>
Tom Buell 1870 US Highway 190 Mandeville, LA 70448 626-9711	\$ 750
John Evans 77223 Roubion Road Folsom, LA 70437 626-3641	600
John O'Neil 510 East Boston Street Covington, LA 70433	-
Earl Gorondonna 645 Coffee St. Mandeville, LA 70448 626-5406	525
Freddy Drennan 2112 Sgt. Alfred Drive Slidell, LA 70458 646-4285	450
Jim Laurent P.O. Box 273 Lacombe, LA 70445 882-5108	675
Marlin Peachey 806 Harmony Lane Mandeville, LA 70471 898-2722	675
Chris Canulette 21490 Koop Drive Mandeville, LA 70471 290-6751	-



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Commissioners
St. Tammany Parish Communication District No. 1

We have audited the financial statements of the **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1** as of and for the year ended December 31, 2005, and have issued our report thereon dated March 28, 2006. 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 **ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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White, Fiskel, King & Neal

A Professional Accounting Corporation

March 28, 2006