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VERNON PARISH WATER AND SEWER
COMMISSION NO. 1

FINANCIAL STATEMENTS

MAY 31, 2004

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

Release Date 12-1-04

VERNON PARISH WATER AND SEWER
COMMISSION NO. 1

MAY 31, 2004

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REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

VERNON PARISH WATER AND SEWER COMMISSION NO.. 1
December 31, 2003

This section of Vernon Parish Water and Sewer Commission No. 1 annual financial report presents background information and management's analysis of the "Commission's" financial performance during the year ended May 31, 2004. Please read it in conjunction with the financial statements in this report.

Required Financial Statements

The Basic Financial Statements of the Commission report information about the Commission using Governmental Accounting Standards Boards (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets (on page 9 &10) includes all of the Commission's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to Commission creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Assets (on page 11). This statement measures improvements in the Commission's operations over the past year and can be used to determine whether the Commission's operations over the past year and can be used to determine whether the Commission has been able to recover all of its cost through its patient service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows (on page 13). The primary purpose of this statement is provide information about the Commission's cash from operations, investing and financing activities, and to provide answers to such questions as 'where did cash come from?', " what was cash used for?" and "what was the change in cash balance during the reporting period?"

Financial Analysis of the Commission

The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Commission's activities. These two statements report the net assets of the Commission and changes in them. The Commission's net assets- the difference between assets and liabilities-are one way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

May 31, 2004

Management's Discussion and Analysis

Net Assets

A summary of the Commission's Balance Sheet is presented below:

	<u>2004</u>	<u>2003</u>	% Change
Current Assets	\$ 179,655	\$ 191,869	(6.36)%
Restricted Assets	513,941	450,178	14.16 %
Capital Assets, net of depreciation	1,872,983	1,929,444	(2.93)%
Other assets	----	42,096	100.00%
Total assets	\$ 2,566,579	\$ 2,613,587	(1.80)%
Current liabilities	\$ 21,504	11,273	90.76%
Current liabilities payable from Restricted assets	194,348	190,783	1.87%
Non current liabilities	1,017,000	1,106,000	(8.05)%
Total liabilities	\$ 1,232,852	\$ 1,308,056	(5.75)%
Invested in capital assets, less debt	751,835	738,444	1.81%
Unrestricted net assets	542,767	535,995	22.23%
Restricted - customer deposits	39,125	31,092	25.84%
Total net assets	\$ 1,333,727	\$ 1,305,531	10.77%

Invested in capital assets represent the Commission's long-term investment in capital assets, net of accumulated depreciation, and is not available for current operations.

Total net assets of the Commission at May 31, 2004 were \$1,333,727. Net assets can be separated into three categories: net capital assets of related debt, restricted, and unrestricted assets.

Net capital assets of \$751,835 consist of capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets less any capital disposals is \$3,483,126. Accumulated depreciation of \$1,610,143 is the accumulation of depreciation expense since acquisition. Depreciation expense is recorded on the original cost of the asset expensed over the estimated useful life of the asset. Related debt of \$ 1,106,000 is composed of lease and note payables used to purchase the previous capital assets.

The unrestricted net assets of \$542,767 are an accumulation of prior years' operating results. This balance is directly affected each year by the Commission's operating results.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
May 31, 2004
Management's Discussion and Analysis

Results of Operations

A summary of changes in net assets is presented below. Since this is the first year that the Commission adopted the GASB Statement 34 reporting model, a comparison to the prior year is not presented.

Condensed Statement of Revenue and Expenses
For the Year Ended May 31, 2004

Table 2
Changes in Net Assets

Operating revenues (charges for services, leases and other)	
Non-operating revenues(government subsidies and interest income)	
Total revenues	\$ 658,868
Operating expenses:	
Amortization	42,096
Depreciation	113,663
Other	474,913
Total Expenses	<u>630,672</u>
Increase in net assets	\$ 28,196

The predominant reason for the increase in net asset change from 2003 to 2004 is because the Commission's net income was \$28,196, highlighted by an increase in water sales and less operating costs including maintenance and salaries and other operating expenses..

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
May 31, 2004

Management's Discussion and Analysis

Sources of Revenue

During the year ended May 31, 2004 the Commission derived the majority of its total revenue from water sales in the Commission. This amounted to \$627,579 or 94.56% of total revenue of the Commission.

Expenses

The majority of the Commission's total expense are for payroll cost and benefits to employees of the Commission. This amounted to \$214,369 or 33.46% of total expenses.

Capital Assets

The Commission's capital assets mainly consist of, which are located throughout the Commission's geographic area..

Debt

At year-end, the Commission had total debt outstanding of \$1,106,000 comprised of two debt issues.

Contacting the Commission's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie James, the Commission's Secretary Treasurer in Pickering, La.

See Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Vernon Parish Water and Sewer Commission No. 1

I have audited the accompanying basic financial statements of the Vernon Parish Water and Sewer Commission's No. 1, as of and for the year ended May 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Vernon Parish Water and Sewer Commission's No. 1 management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Vernon Parish Water and Sewer Commissions No. 1 as of and for the year ended May 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statement, the District adopted, effective January 1, 2002, the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Government* and Statement No. 37, *-Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus*. Adoption of these statements results in a change in the format and content of the basic financial statements.

Management's discussion and analysis on pages 1 through 5 is not a required part of the basis financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my reported dated November 8, 2004 on my consideration of the Vernon Parish Water and Sewer Commission No. 1 internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

Elliott & Assoc "APAC"

Leesville, Louisiana
November 8, 2004

BASIC FINANCIAL STATEMENTS

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

STATEMENT OF NET ASSETS

May 31, 2004

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 80,310
Receivables (Note 3):	
Interest	639
Accounts	74,645
Inventory, at cost	17,430
Prepaid expenses	<u>6,631</u>

Total current assets 179,655

Restricted assets:

Cash and cash equivalents (Note 2)	<u>513,941</u>
------------------------------------	----------------

Total restricted assets 513,941

Capital assets (Note 4):

Land	21,661
Buildings	105,075
Improvements other than buildings	3,152,459
Furniture, vehicles, and equipment	203,931
Less: accumulated depreciation	<u>(1,610,143)</u>

Capital assets (net of accumulated depreciation) 1,872,983

Total assets \$ 2,566,579

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 16,924
Sales tax payable	---
Payroll taxes payable	<u>4,580</u>
Total current liabilities	<u>21,504</u>
Current liabilities payable from restricted assets:	
Current maturities - water revenue refunding bonds (Note 5)	16,000
Customer deposits	90,200
Accrued interest payable (Note 5)	15,148
Current taxable excess revenue refunding bonds payable (Note 5)	<u>73,000</u>
Total current liabilities payable from restricted assets	<u>194,348</u>
Long-term liabilities (Note 5):	
Taxable excess revenue refunding bonds (net of current maturities)	408,000
Water revenue refunding bonds - Series 2002 (net of current maturities)	<u>609,000</u>
Total long-term liabilities	<u>1,017,000</u>
Total liabilities	<u>1,232,852</u>
NET ASSETS:	
Invested in capital assets net of related debt	751,835
Restricted customer deposits	39,125
Unrestricted	<u>542,767</u>
Total net assets	<u>\$ 1,333,727</u>

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended May 31, 2004

Operating revenues:	
Charges for sales and services:	
Water sales	\$ 627,579
Service connection fees	18,065
Penalty and reconnect fees	<u>13,224</u>
Total operating revenues	<u>658,868</u>
Operating expenses:	
Current:	
Salaries and related benefits	214,368
Depreciation (Note 4)	113,663
Utilities and telephone	57,953
Repairs and maintenance	52,811
Insurance	21,485
Office expense	14,072
Credit card fees	8,401
Dues	200
Engineering fees	7,045
Equipment rental	165
Commissioners fees	5,460
Legal and professional	8,371
Truck expense	9,813
Travel	75
Supplies	7,973
Miscellaneous	6,231
Uniform service	5,311
Amortization	42,096
Land lease expense	1,860
Bank charges	<u>184</u>
Total operating expenses	<u>577,537</u>
Operating income	<u>81,331</u>
Nonoperating revenues (expenses):	
Interest income	6,226
Other income	3,595
Loss on asset disposal	(1,110)
Interest expense (Note 5)	<u>(61,846)</u>
Total nonoperating revenues (expenses)	<u>(53,135)</u>
Net income	28,196
Net assets, beginning	<u>1,305,531</u>
Net assets, ending	<u>\$ 1,333,727</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
 Statement of Revenues, Expenses and Changes in Net Assets
 Budget and Actual (GAAP)
 For the year ended May 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Charges for sales and services:			
Water sales	\$ 625,000	\$ 627,579	\$ 2,579
Service connection fees	10,000	18,065	8,065
Penalty and reconnect fees	<u>22,000</u>	<u>13,224</u>	<u>(8,776)</u>
Total operating revenues	<u>\$ 657,000</u>	<u>\$ 658,868</u>	<u>\$ 1,868</u>
Operating expenses:			
Current:			
Salaries and related benefits	\$ 189,192	\$ 215,879	\$(26,687)
Depreciation (Note 3)	114,000	113,663	337
Utilities and telephone	55,500	57,953	(2,453)
Repairs and maintenance	50,000	52,811	(2,811)
Insurance	16,000	21,485	(5,485)
Office expense	12,000	14,072	(2,072)
Credit card fees	---	8,401	(8,401)
Dues	---	200	(200)
Engineering fees	---	7,045	(7,045)
Equipment rental	---	165	(165)
Commissioners fees	3,600	5,460	(1,860)
Legal and professional	10,000	8,371	1,629
Truck expense	11,000	9,813	1,187
Travel	500	75	425
Supplies	13,000	6,462	6,538
Miscellaneous	7,000	6,231	769
Uniform service	5,500	5,311	189
Amortization	42,000	42,096	(96)
Land lease expense	1,500	1,860	(360)
Bank charges	<u>312</u>	<u>184</u>	<u>128</u>
Total operating expenses	<u>\$ 531,104</u>	<u>\$ 577,537</u>	<u>\$(46,433)</u>
Operating income	<u>\$ 125,896</u>	<u>\$ 81,331</u>	<u>\$(44,565)</u>
Nonoperating revenues (expenses):			
Other income	1,000	3,595	2,595
Loss on asset disposal	---	(1,110)	(1,110)
Interest income	8,000	6,226	(1,774)
Interest expense (Note 4)	<u>(85,000)</u>	<u>(61,846)</u>	<u>23,154</u>
Total nonoperating revenues (Expenses)	<u>\$ (76,000)</u>	<u>\$ (53,135)</u>	<u>\$ 22,865</u>
Net income	<u>\$ 49,896</u>	<u>\$ 28,196</u>	<u>\$(21,700)</u>
Net assets, beginning	<u>1,206,016</u>	<u>\$ 1,305,531</u>	<u>99,515</u>
Net assets, ending	<u>1,255,912</u>	<u>\$ 1,333,727</u>	<u>77,815</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Cash Flows
For the year ended May 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$687,119
Cash payments to suppliers for goods and services	(251,182)
Cash payments to employees for services	(163,420)
	<hr/>
Net cash provided by operating activities	<u>272,517</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
	<hr/> ---
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(58,412)
Sale of asset	100
Retirement of bonds	(85,000)
Interest paid on bonds	<u>(63,101)</u>
Net cash used by capital financing activities	<u>(206,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>6,187</u>
Net cash provided by investing activities	<u>6,187</u>
Increase in cash	72,291
Cash, beginning of fiscal year	<u>521,960</u>
Cash, end of fiscal year	<u>\$ 594,251</u>
Reconciliation of income(loss)from operations to net cash provided by operating activities:	
Income from operation	\$ 84,926
Adjustments to reconcile income(loss) from operations To net cash provided by operating activities:	
Depreciation	113,663
Amortization	42,096
Change in assets and liabilities:	
Increase in accounts receivable	23,836
Decrease in other current assets	(3,055)
Decrease in other current liabilities	(971)
Increase in accounts payable	11,202
Increase in customer deposits	<u>820</u>
Net cash provided by operating activities	<u>\$272,517</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
May 31, 2004
Notes to the Financial Statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Water and Sewer Commission No. 1 is a political subdivision of the Vernon Parish Police Jury. The "Commission" is governed by a board of commissioners, composed of five members, who serve with compensation and are appointed for various terms by the Vernon Parish Police Jury.

The financial statements of the Vernon Parish Water and Sewer Commission No 1 have been prepared in conformity with accounting principles generally accepted in the United States of American (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity

GASB Statement No. 14, The Reporting Entity, as amended, established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Commission is considered a component unit, since it is a subdivision of the Vernon Parish Police Jury that reports to the Jury. As used in GASB Statement No 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issued bonded debt. The Commission only does certain of the above functions and it's board members are also appointed by the Jury, Thus the Commission is classified as a component unit.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

May 31, 2004

Notes to the Financial Statements

Basis of Presentation

As stated above, effective January 1, 2002, the Commission adopted the provisions of Statement No. 34 and Statement No. 37. These statements established standards for external financial reporting for all state and governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- * Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- * Restricted net assets: This component of net assets consists of constraints imposed by creditors (such as through debt covenants), contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.
- * Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Accounting

The accounts of the Commission are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs expenses, including depreciation)of providing goods and services to the general public on a continuing basis be financed primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
MAY 31, 2004
Notes to the Financial Statements

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds follow GAAP prescribed by the Government Accounting Standards Board and Financial Accounting Standards Board's Standards issue prior to November 30, 1989. Enterprise funds are accounted for on a flow of economic measurement focus. With this measurement focus, all assets and liabilities associated with the operating of these funds are included on the balance sheet. The operating statement presents increases (revenues) and decreases (expenses) in total net assets.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise 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 its principal ongoing operations. The principal operating revenues of the Commission are charges for water sales. Operating expenses include costs of providing water services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

Capital Assets

All purchased capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. Depreciation of all exhaustible capital assets is charged against operations. Depreciation is computed over the estimated useful lives ranging from 5 to 45 years using the straight-line method.

Compensated Absences

Vested or accumulated vacation and sick leave are recorded on the Commission records as the benefits accrued to employees. No liability is recorded for compensated absences that relate to future service or that are contingent on a specific event that is outside the control of the employer and employees.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
 May 31, . 2004
 Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENT COLLATERAL

Under state law, the Commission may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At May 31, 2004, the Commission had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and certificate of deposit	<u>\$80,310</u>	<u>\$513,941</u>	<u>\$594,251</u>

At year end, the carrying amount of the Commission's deposits (demand deposits and certificates of deposit) was \$594,251, and the bank balances were \$606,290. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$ 200,000
Uncollateralized (In accordance with GAAP - See below)	<u>406,290</u>
	<u>\$ 606,290</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 at least equal the amount on deposit with the fiscal agent.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
May 31, 2004
Notes to the Financial Statements

The un collateralized amount shown above is secured by pledged securities with a market value of \$490,648 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered un collateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

Receivables at May 31, 2004 consist of the following:

Accrued interest	\$ 639
Accounts	<u>74,645</u>
Net total Receivables	<u>\$ 75,284</u>

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
MAY 31, 2004
Notes to the Financial Statements (Continued)

4. CHANGES IN CAPITAL ASSETS

	Balance <u>05/31/03</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>05/31/04</u>
Land	\$ 21,661	\$ —	\$ ---	\$ 21,661
Buildings	105,075		---	105,075
Water System	3,127,324	25,135	---	3,152,459
Vehicles	67,585	14,326	15,110	66,801
Furniture & equipment	<u>129,894</u>	<u>18,951</u>	<u>11,715</u>	<u>137,130</u>
Totals	<u>\$3,451,539</u>	<u>\$58,412</u>	\$ <u>26,825</u>	\$3,483,126
Accumulated depreciation				<u>(1,610,143)</u>
Net capital assets				<u>\$1,872,983</u>

Depreciation expense included in the financial statements for the fiscal year is \$113,663.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Vehicles	5 years
Building	15 years
Improvements other than building	45 years
Furniture and equipment	3-10 years

NOTE 5--CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Vernon Parish Water and Sewer Commission No. 1 for the year ended May 31, 2004:

	Taxable Excess Revenue Series <u>2002</u>	Revenue Refunding Bonds Series <u>2002</u>	<u>Totals</u>
Debt payable, June 1, 2003	\$551,000	\$640,000	\$1,191,000
Debt retired	(70,000)	(15,000)	(85,000)
Debt incurred	<u>---</u>	<u>---</u>	<u>---</u>
Debt payable May 31, 2004	<u>\$481,000</u>	<u>\$625,000</u>	<u>\$1,106,000</u>

The long-term debt payable at May 31, 2004 is comprised of the following issues:

\$551,000 Taxable Excess Revenue Refunding series 2002;
 April 1, 2002; due in annual installments
 of \$102,344 or less through September 1, 2010;
 interest at 6.10% - administered by two Deridder,
 Louisiana banks. 481,000

Water Revenue Refunding Bonds; series 2002
 \$640,000 Revenue Refunding Bonds dated
 September 1, 2002 due in average annual installments
 of 47,750 or less through September 1, 2014;
 interest at 5.0% 625,000

Total \$ 1,106,000

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

MAY 31, 2004

Notes to the Financial Statements

5. CHANGES IN LONG-TERM DEBT (cont)

The annual requirements to amortize the above taxable excess revenue series 2002 bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 73,000	\$ 29,341	\$102,341
2006	75,000	24,888	99,888
2007	79,000	20,313	99,313
2008	81,000	15,494	96,494
2009	83,000	8,926	91,926
2010	<u>90,000</u>	<u>6,985</u>	<u>96,985</u>
Total	<u>\$481,000</u>	\$ <u>105,947</u>	<u>\$586,947</u>

The annual requirements to amortize the revenue refunding bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 16,000	\$ 31,250	\$ 47,750
2006	17,000	30,450	47,450
2007	18,000	29,600	47,600
2008	19,000	28,700	47,700
2009	20,000	27,750	47,750
2010-2014	<u>535,000</u>	<u>120,350</u>	<u>655,350</u>
Total	<u>\$625,000</u>	\$ <u>268,100</u>	<u>\$893,100</u>

There are limitations and restrictions contained in the two bond indentures. The Vernon Parish Water and Sewer Commission No. 1 is in compliance with all significant limitations and restrictions.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

MAY 31, 2004

Notes to the Financial Statements

NOTE 6 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Commission carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

<u>LIMITS OF COVERAGE</u>	
Workmen's compensation	\$ 500,000
Auto liability	300,000
Commercial general liability	2,000,000
Commission-owned buildings and equipment	197,800

The Commission covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Commission was not involved in any litigation nor did it have asserted claims lodged against it.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

ELLIOTT & ASSOCIATES, INC.
Professional Accounting Corporation
P. O. Box 1287
Leesville, Louisiana 71496-1287

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Vernon Parish Water and Sewer Commission No. 1

I have audited the financial statements of the Vernon Parish Water and Sewer Commission No. 1 as of and for the year ended May 31, 2004, and have issued my report thereon dated November 8, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Vernon Parish Water and Sewer Commission's No. 1 basic financial statements are free of material misstatement, my performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, my do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, my considered the Vernon Parish Water and Sewer Commission's No. 1 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 provided assurance on the internal control over financial reporting. My noted no matters involving the internal control over financial reporting and its operations that my consider to be a reportable condition. Reportable conditions involving matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over of financial reporting that , in my judgement, could adversely affect the Vernon Parish Water and Sewer Commission's No1's ability to record, process, summarize and report financial data consistent with the assertions of management in basic financial statements.

A material weakness is a condition in which the design or the operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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 operations that I consider to be a material weaknesses. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended for the information and use of management and the Board of Commissioners, state awarding agencies and the Louisiana Legislative Auditor's office of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Elliott & Assoc. "APAC"

Leesville, Louisiana
November 8, 2004

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2004

SECTION 1- SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ___ yes x no

Reportable conditions identified
that are not considered to be
material weaknesses? ___ yes x no

Noncompliance material to financial
statements noted? ___ yes x no

*Management's Summary Schedule of Prior
Audit Findings* Attached

*Memorandum of Other Comments
and Recommendations* Not applicable

Management's Corrective Action Plan Not applicable

Federal Awards Not Applicable

SECTION II - FINANCIAL STATEMENT FINDINGS

Not applicable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable

**VERNON PARISH WATER AND SEWER COMMISSION NO. 1
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MAY 31, 2004**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

There were no prior year findings relating to internal control and compliance material to the financial statements.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with prior year audit report.

SUPPLEMENTARY INFORMATION

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED MAY 31, 2004

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution NO. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, the Board Members received \$60 per diem during 2004.

	<u>Number Attended</u>	<u>Amount</u>
A.L Scott	18	\$ 1,080
Carney Jean Midkiff	18	1,080
Lorin Mullins	18	1,080
Sue Bailey	18	1,080
Susan Redmond	<u>19</u>	<u>1,140</u>
Totals	<u>91</u>	<u>\$ 5,460</u>