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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

For the Year Ended June 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 SEP 11 1996

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

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GRAGSON, CASIDAY & GUILLORY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

July 25, 1996

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the accompanying general purpose financial statements of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 1996. These general purpose financial statements are the responsibility of the Jefferson Davis Central Waterworks District management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Davis Central Waterworks District as of June 30, 1996, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The Statement of Revenues, Expenses and Changes in Retained Earnings-Budget and Actual is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Jefferson Davis Central Waterworks District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Gragsen Casiday & Guillory*

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Balance Sheet

June 30, 1996

	<u>1996</u>	<u>1995</u>
<b>ASSETS</b>		
Cash	\$ 118,015	\$ 62,928
Investments	79,732	83,006
Accounts receivable	30,387	27,737
Prepaid expenses	4,386	4,569
Restricted assets		
Bond sinking fund		
Cash	31,262	30,194
Bond reserve fund		
Cash	44,374	40,539
Bond contingency fund		
Cash	12,905	6,609
Customer deposits		
Investments	69,473	66,199
Fixed assets (net)	2,766,877	2,858,084
Construction period interest (net)	<u>67,856</u>	<u>70,244</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,225,267</u></b>	<b>\$ <u>3,250,109</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 6,936	\$ 4,960
Accrued liabilities	2,329	2,001
Payable from restricted assets		
Revenue bond	7,397	6,460
Accrued interest	28,341	28,518
Customer deposits	69,473	66,199
Revenue bonds payable	<u>1,023,171</u>	<u>1,030,568</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,137,647</u></b>	<b><u>1,138,706</u></b>
<b>FUND EQUITY</b>		
Contributed capital	1,223,614	1,283,875
Retained earnings		
Reserved for debt service	52,803	42,364
Unreserved	<u>811,203</u>	<u>785,164</u>
<b>TOTAL FUND EQUITY</b>	<b><u>2,087,620</u></b>	<b><u>2,111,403</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>3,225,267</u></b>	<b>\$ <u>3,250,109</u></b>

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

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Retained Earnings

Year Ended June 30, 1996

	<u>1996</u>	<u>1995</u>
OPERATING REVENUES		
Charges for services	\$ 235,960	\$ 216,069
Ad valorem taxes (net)	122,408	122,012
Installations	6,916	6,893
Penalties and reconnect fees	5,470	4,515
Miscellaneous	7,070	396
Gain on sale of fixed assets	-	5,909
TOTAL OPERATING REVENUES	<u>377,824</u>	<u>355,794</u>
OPERATING EXPENSES		
Advertising	127	48
Amortization	2,388	2,388
Auto rental	1,950	4,394
Bank charges	-	-
Chemicals	13,481	13,412
Communication	2,466	2,137
Contract labor	856	928
Convention	-	1,236
Depreciation	113,192	110,781
Dues	1,246	982
Fuel	2,505	2,444
Insurance	19,562	19,900
Miscellaneous	910	961
Office	1,498	1,222
Per diem	3,900	3,960
Postage	2,428	2,286
Printing	1,181	103
Professional fees	3,100	3,100
Repairs and maintenance	10,593	118,955
Retirement	3,132	3,132
Salaries	67,735	62,635
Supplies	14,141	8,519
Taxes and licenses	5,149	4,792
Utilities	29,793	29,926
Water samples	590	640
TOTAL OPERATING EXPENSES	<u>301,923</u>	<u>396,437</u>
OPERATING INCOME (LOSS)	75,901	(40,643)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	14,211	12,134
Interest expense	(113,895)	(114,531)
	<u>(99,684)</u>	<u>(102,397)</u>

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

GRAGSON, CASIDAY & GULLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Retained Earnings - Continued

Year Ended June 30, 1996

	<u>1996</u>	<u>1995</u>
NET LOSS	\$ (23,783)	\$ (143,040)
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital	<u>60,261</u>	<u>60,260</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	36,478	(82,780)
RETAINED EARNINGS - BEGINNING	<u>827,528</u>	<u>910,308</u>
RETAINED EARNINGS - ENDING	\$ <u>864,006</u>	\$ <u>827,528</u>

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

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows

Year Ended June 30, 1996

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 75,901	\$ (40,643)
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	2,388	2,388
Depreciation	113,192	110,781
Gain on sale of fixed assets	-	(5,909)
(Increase) decrease in		
Accounts receivable	(2,650)	(2,848)
Prepaid expenses	183	18,116
Increase (decrease) in		
Accounts payable	1,976	210
Accrued expenses	328	53
Accrued interest payable	<u>(177)</u>	<u>(153)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>191,141</u>	<u>81,995</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	3,274	2,911
Proceeds from sale of fixed assets	-	8,268
Acquisition of fixed assets	(21,985)	(42,119)
Principal paid on revenue bonds	(6,460)	(5,555)
Interest paid on revenue bonds	<u>(113,895)</u>	<u>(114,531)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(139,066)</u>	<u>(151,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>14,211</u>	<u>12,134</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,286	(56,897)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>140,270</u>	<u>197,167</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>206,556</u>	\$ <u>140,270</u>

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

GRAGSON, CASIDAY & GULLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson Davis Central Waterworks District is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing water to the rural area of Central Jefferson Davis Parish. The district is governed by a board of commissioners composed of five members appointed by the Jefferson Davis Parish Police Jury.

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

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Jefferson Davis Central Waterworks District includes all funds, account groups, et cetera, that are within the oversight responsibility of the Jefferson Davis Central Waterworks District.

As the governing authority, for reporting purposes, the Jeff Davis Parish Police Jury is the financial reporting entity. The financial reporting entity consists of (a) the primary 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 Jeff Davis Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. Based upon the application of these criteria, Jefferson Davis Central Waterworks District is a component unit of the Jeff Davis Parish Police Jury's reporting entity.

Continued



JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Fund Accounting

The Jefferson Davis Central Waterworks District uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The following fund is used by the District:

Proprietary Fund Type:

Enterprise Fund -

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis is financed through user charges.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The District considers property taxes as available if they are collected within 60 days after year end. Those revenues susceptible to accrual are property taxes, interest revenue and charges for services.

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Cash and Investments

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District 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.

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 June 30, 1996, the District has \$208,501 in deposits (collected bank balances). These deposits are secured from risk by \$105,675 of federal deposit insurance and \$102,826 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Investments

The following are the investments of the District, which are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the name of the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the name of the District. There are no Category 2 investments. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the name of the District. There are no Category 3 investments.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
U.S. Government Securities	\$ <u>149,205</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>149,205</u>	\$ <u>135,430</u>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Accounts Receivable

Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectable. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

6. Construction Period Interest

Interest costs of \$90,740 during original construction period of plant was capitalized and is being amortized over the term of the original bond issue using the straight-line method. Amortization expense was \$2,388 for the year ended June 30, 1996.

7. Statement of Cash Flows

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$206,556 which represents unrestricted amounts of \$118,015 and restricted amounts of \$88,541.

8. Budgets

An enterprise fund budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

Expenditures may not legally exceed budgeted appropriations at the activity level.

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

NOTE B - AD VALOREM TAXES

For the year ended June 30, 1996 taxes of 9.00 mills were levied on property with assessed valuations totalling \$14,213,200 and were dedicated as follows:

General operations	9.00 mills
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Total taxes levied were \$127,919.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15 of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE C - FIXED ASSETS

A summary of changes in fixed assets for the year is as follows:

	Fixed Assets		
	Beginning of Year	Net Additions	End of Year
Distribution system	\$ 3,534,875	\$ -	\$ 3,534,875
Furniture, fixtures & equipment	6,777	972	7,749
Machinery and equipment	142,161	21,013	163,174
Land	<u>19,900</u>	<u>-</u>	<u>19,900</u>
	3,703,713	\$ <u>21,985</u>	3,725,698
 Less accumulated depreciation	 <u>845,629</u>		 <u>958,821</u>
TOTALS	\$ <u>2,858,084</u>		\$ <u>2,766,877</u>

Continued



JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE C - FIXED ASSETS - CONTINUED

Depreciation expense was \$113,192 for the year ended June 30, 1996.

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset 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.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Distribution system	7 - 50 years
Furniture, fixture and equipment	5 - 10 years
Machinery and equipment	5 - 10 years

NOTE D - LONG-TERM DEBT

A. Debt Outstanding

The following is a summary of bond transactions of the District for the year ended June 30, 1996:

Bonds payable, July 1, 1995	\$ 1,037,028
Bonds retired	<u>6,460</u>
BONDS PAYABLE JUNE 30, 1996	\$ <u>1,030,568</u>

Bonds payable at June 30, 1996 are comprised of the following individual issue:

\$1,063,004 Revenue Refunding Bonds dated 04/11/89; due in annual installments of \$7,397 - \$125,897 through April 1, 2019; interest at 11.0%	\$ <u>1,030,568</u>
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Continued



JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE D - LONG-TERM DEBT - CONTINUED

B. Debt Service Requirements to Maturity

The annual requirements to amortize all debts outstanding as of June 30, 1996, including interest payments of \$1,914,619 are as follows:

Year Ending June 30,	
1997	\$ 120,759
1998	120,919
1999	121,541
2000	122,594
2001	122,456
Thereafter	<u>2,336,918</u>
	\$ <u>2,945,187</u>

NOTE E - COMPONENTS OF RESTRICTED ASSETS

Enterprise Fund:

	Revenue Bond <u>Sinking</u>	Revenue Bond <u>Reserve</u>	Revenue Bond <u>Contingency</u>	Customer <u>Deposits</u>	<u>Totals</u>
Cash and investments	\$ 31,262	\$ 44,374	\$ 12,905	\$ 69,473	\$ 158,014

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond sinking account. The "bond contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

The amount of retained earnings reserved for revenue bond retirement is detailed as follows:

Restricted assets: revenue bond sinking, reserve and contingency funds	\$ 88,541
Less: Current maturities of revenue bonds, payable from restricted assets	7,397
Accrued interest, payable from restricted assets	<u>28,341</u>
Retained Earnings Reserved	\$ <u>52,803</u>

Continued

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1996

NOTE F - CONTRIBUTED CAPITAL

During the year, contributed capital changed by the following amount:

CONTRIBUTED CAPITAL, BEGINNING	\$ 1,283,875
Current year depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital	<u>(60,261)</u>
CONTRIBUTED CAPITAL, ENDING	\$ <u>1,223,614</u>

NOTE G - PER DIEM

Total per diem paid consisted of the following:

Lee J. Clement	\$ 780
Billy Precht, Jr.	720
Paul Stark	780
Russell Touchet	840
Edmund Walker	<u>780</u>
	\$ <u>3,900</u>

NOTE H - 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. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Retained Earnings -  
Budget and Actual

Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 209,300	\$ 235,960	\$ 26,660
Ad valorem taxes (net)	117,000	122,408	5,408
Installations	3,500	6,916	3,416
Penalties and reconnect fees	4,000	5,470	1,470
Miscellaneous	-	<u>7,070</u>	<u>7,070</u>
TOTAL OPERATING REVENUES	<u>333,800</u>	<u>377,824</u>	<u>44,024</u>
<b>OPERATING EXPENSES</b>			
Advertising	300	127	173
Amortization	-	2,388	(2,388)
Auto rental	1,950	1,950	-
Chemicals	16,000	13,481	2,519
Communication	2,800	2,466	334
Contract labor	1,500	856	644
Convention	700	-	700
Depreciation	76,460	113,192	(36,732)
Dues	1,500	1,246	254
Fuel	5,500	2,505	2,995
Insurance	24,000	19,562	4,438
Miscellaneous	1,400	910	490
Office	1,500	1,498	2
Per diem	4,200	3,900	300
Postage	3,000	2,428	572
Printing	500	1,181	(681)
Professional fees	3,200	3,100	100
Repairs and maintenance	12,000	10,593	1,407
Retirement	3,135	3,132	3
Salaries	67,735	67,735	-
Supplies	13,700	14,141	(441)
Taxes and licenses	5,185	5,149	36
Utilities	33,000	29,793	3,207
Water samples	<u>1,000</u>	<u>590</u>	<u>410</u>
TOTAL OPERATING EXPENSES	<u>280,265</u>	<u>301,923</u>	<u>(21,658)</u>
OPERATING INCOME (LOSS)	53,535	75,901	22,366
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	8,000	14,211	6,211
Interest expense	<u>(114,075)</u>	<u>(113,895)</u>	<u>180</u>
	<u>(106,075)</u>	<u>(99,684)</u>	<u>6,391</u>

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

GRAGSON, CASIDAY & GULLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Retained Earnings -  
Budget and Actual - Continued

Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
NET LOSS	\$ (52,540)	\$ (23,783)	\$ 28,757
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital	<u>60,260</u>	<u>60,261</u>	<u>1</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	7,720	36,478	28,758
RETAINED EARNINGS - BEGINNING	<u>827,528</u>	<u>827,528</u>	<u>-</u>
RETAINED EARNINGS - ENDING	\$ <u>835,248</u>	\$ <u>864,006</u>	\$ <u>28,758</u>

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

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

July 25, 1996

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the general purpose financial statements of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 25, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Jefferson Davis Central Waterworks District is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

*Gragsen Casiday & Guillory*



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

July 25, 1996

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the general purpose financial statements of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 25, 1996.

We have conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatements.

The management of the Jefferson Davis Central Waterworks District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Jefferson Davis Central Waterworks District, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The reportable condition is that the District does not have adequate segregation of duties within its internal control structure. However, because of the District's size and resources, proper segregation of duties is not feasible.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

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

*Gragson Casiday & Guillory*