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JEFFERSON DAVIS CENTRAL WATERWORK DISTRICT
WELLS, LOUISIANA
ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 1967

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

Release Date July 1, 1967

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CRACKEN, CASHEBAY & CULLORY, L.L.P.

REGISTERED PUBLIC ACCOUNTANTS

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OF ACCOUNTING TECHNICIANS

INDEPENDENT AUDITORS' REPORT

July 25, 1977

Board of Commissioners
Jefferson Davis Central Waterworks District
Wichita, 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, 1977. 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. These 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, 1977, 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.

In accordance with Government Auditing Standards, we have also issued a report dated July 25, 1977 on our consideration of Jefferson Davis Central Waterworks District's internal control structure and a report dated July 25, 1977 on its compliance with laws and regulations.

Stephen Cashey, J. Cullory

JEFFERSON COUNTY CENTRAL WATERWORKS DISTRICT

BALANCE SHEET

June 30, 1997

	<u>1997</u>	<u>1996</u>
ASSETS		
Cash	\$ 178,328	\$ 118,915
Investments	77,503	79,732
Accounts receivable	29,674	30,287
Prepaid expenses	4,289	4,288
Restricted assets		
Bond sinking fund		
Cash	33,288	31,883
Bond reserve fund		
Cash	51,353	61,374
Bond contingency fund		
Cash	8,483	10,868
Customer deposits		
Investments	75,788	69,473
Fixed assets (net)	3,458,843	3,788,877
CONSTRUCTION period interest (net)	<u>63,468</u>	<u>67,828</u>
TOTAL ASSETS	\$ 3,128,248	\$ 3,328,287
LIABILITIES		
Accounts payable	\$ 7,787	\$ 6,934
Accrued liabilities	3,283	3,134
Payable from restricted assets		
Revenue bond	8,378	7,327
Accrued interest	28,137	28,341
CUSTOMER deposits	31,794	49,473
Revenue bonds payable	<u>1,624,821</u>	<u>1,622,132</u>
TOTAL LIABILITIES	1,703,200	1,437,241
FUND EQUITY		
Contributed capital	1,325,268	1,325,414
Retained earnings		
Reserved for debt service	57,453	58,820
Unreserved	<u>618,388</u>	<u>611,253</u>
TOTAL FUND EQUITY	1,991,109	1,995,487
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,694,309	\$ 3,432,728

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Retained Earnings

Year Ended June 30, 1987

	<u>1987</u>	<u>1986</u>
OPERATING REVENUES		
Charges for services	\$ 100,807	\$ 100,808
Ad valorem taxes (net)	120,800	120,808
Contributions	8,588	8,818
Residuals and unusual fees	5,340	5,470
Miscellaneous	382	7,870
	<u>135</u>	<u>135</u>
TOTAL OPERATING REVENUES	265,822	273,822
OPERATING EXPENSES		
Advertising	68	127
Amortization	2,388	2,388
Auto rental	2,318	2,898
Chemicals	14,283	13,482
Communication	2,158	2,222
Contract labor	427	854
Construction	571	-
Depreciation	128,378	128,378
Gas	2,888	2,348
Fuel	2,848	2,888
Insurance - employees	12,422	12,448
Insurance - other	8,024	8,128
Miscellaneous	1,722	828
Office	582	1,428
Per diem	4,222	2,822
Postage	2,288	2,828
Printing	124	1,282
Professional fees	3,288	3,288
Repairs and maintenance	28,372	18,882
Retirement	3,247	3,222
Salaries	68,748	67,722
Supplies	18,847	14,142
Taxes and licenses	3,224	3,142
Utilities	24,728	22,722
Water samples	<u>822</u>	<u>822</u>
TOTAL OPERATING EXPENSES	326,512	321,822
OPERATING INCOME	39,310	51,999
NON-OPERATING REVENUES (EXPENSES)		
Interest income	18,808	14,322
Interest expense	<u>(12,822)</u>	<u>(12,822)</u>
	<u>(12,822)</u>	<u>(12,822)</u>

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

JEFFERSON JAMES CENTRAL NETWORKS DISTRICT

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

Year Ended June 30, 1997

	<u>1997</u>	<u>1996</u>
NET LOSS	\$ 141,548	\$ 112,780
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital	<u>58,261</u>	<u>58,261</u>
INCREASE IN RETAINED EARNINGS	28,283	28,479
RETAINED EARNINGS - BEGINNING	284,081	255,602
RETAINED EARNINGS - ENDING	<u>\$ 312,364</u>	<u>\$ 284,081</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows

Year Ended June 30, 1997

	1997	1996
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 11,083	\$ 71,941
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	3,288	3,288
Depreciation	110,879	113,180
Gain on sale of fixed assets	(7,000)	-
Increase (decrease) in:		
Accounts receivable	1,483	(2,554)
Prepaid expenses	-	140
Increase (decrease) in:		
Accounts payable	861	1,876
Accrued expenses	54	218
Accrued interest payable	(383)	(127)
NET CASH FLOW FROM OPERATING ACTIVITIES	117,883	181,261
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	3,213	3,274
Proceeds from sale of fixed assets	3,800	-
Acquisition of fixed assets	(4,203)	(10,983)
Principal paid on revenue bonds	(7,297)	(8,463)
Interest paid on revenue bonds	(111,183)	(112,883)
NET CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(116,670)	(128,052)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest on investments	(8,268)	(8,211)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,213	53,209
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	208,316	149,238
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 299,529	\$ 202,447

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1997

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 33:2001 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 governmental 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, interest 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, 1997

NOTE 2 - 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 basis of economic resource 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 six days after year end. These 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, 1997

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 for 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, 1997, the District has \$275,898 in deposits (collected bank balances). These deposits are secured from risk by \$5,438 of Federal deposit insurance and \$267,798 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 3 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.

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	\$ 148,188	\$ -	\$ -	\$ 148,188	\$ 148,188

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1997

NOTE 5 - 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 collectible. 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 \$78,748 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 \$1,398 for the year ended June 30, 1997.

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 \$77,328 which represents unrestricted amounts of \$178,328 and restricted amounts of \$94,800.

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

CHESAPEAKE BEACH DISTRICT WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1987

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. 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 C - AD VALOREM TAXES

For the year ended June 30, 1987 taxes of 8.87 mills were levied on property with assessed valuations totaling \$24,948,838 and were dedicated as follows:

General operations 8.08 mills

Total taxes levied were \$220,938.

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 D - FIXED ASSETS

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

	Fixed Assets		
	Beginning of Year	Ac- quired	End of Year
Distribution system	\$ 3,834,875	\$ -	\$ 3,834,875
Furniture, fixtures & equipment	7,949	445	8,394
Machinery and equipment	152,174	(4,325)	147,849
Land	28,850	-	28,850
	3,723,848	\$ (3,880)	3,720,068
Less accumulated depreciation	1,218,821		1,266,152
TOTALS	\$ 2,505,027		\$ 2,453,916

Book Attached

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1997

NOTE C - FIXED ASSETS - CONTINUED

Depreciation expense was \$118,978 for the year ended June 30, 1997.

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, fixtures 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, 1997:

Bonds payable, July 1, 1996	\$ 1,818,148
Bonds retired	<u> 1,122</u>
Bonds payable June 30, 1997	\$ <u>1,696,026</u>

Bonds payable at June 30, 1997 are comprised of the following individual issues:

\$1,843,894 Revenue Refunding Bonds dated 04/11/89; due in annual installments of \$8,970 - \$128,897 through April 1, 2019; interest at 11.0%	\$ <u>1,696,026</u>
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Continued

JEROME DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1997

NOTE B - LONG-TERM DEBT - CONTINUED

B. Debt Service Requirements to Maturity

The annual requirements to amortize all debts outstanding as of June 30, 1997, including interest payments of \$1,800,187 are as follows:

Year Ending June 30,	
1998	\$ 128,868
1999	130,541
2000	132,204
2001	133,868
2002	135,532
Thereafter	2,214,133
	<u>\$ 2,825,146</u>

On June 18, 1997, the Board authorized the issuance of \$5,150,000 of taxable Water Revenue Refunding Bonds, Series 1997 to refund the bonds dated April 15, 1989. Fiberte National Bank has agreed to purchase the 1997 refunding bonds at 8.00% interest effective August 1, 1997. The estimated net savings from this refunding is approximately \$450,000.

NOTE E - COMPONENTS OF RESTRICTED ASSETS

Enterprise Fund:

	Depreciation Fund	Revenue Bond	Revenue Bond	Customer Credits	Total
	<u>Reserve</u>	<u>Reserve</u>	<u>Contingency</u>	<u>Reserve</u>	
Cash and Investments	\$ 15,281	\$ 81,285	\$ 8,400	\$ 71,704	\$ 165,794

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 meet 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 repairs and replacements.

continued

JEFFERSON HAVES CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1997

NOTE E - COMPONENTS OF RESTRICTED ASSETS - CONTINUED

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

Restricted assets: revenue bond sinking reserve and contingency funds	\$ 84,800
Less: Current maturities of revenue bonds payable from restricted assets	8,334
Accrued interest, payable from restricted assets	<u>29,223</u>
Retained Earnings Reserved	\$ <u>\$ 76,666</u>

NOTE F - CONTRIBUTED CAPITAL

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

CONTRIBUTED CAPITAL, BEGINNING	\$ 1,181,614
Current year depreciation on fixed assets acquired by funds externally restricted for capital expenditures then reduce contributed capital	<u>(88,382)</u>
CONTRIBUTED CAPITAL, ENDING	\$ <u>\$ 1,093,232</u>

NOTE G - SEE ITEM

Total per diem paid consisted of the following:

Lee J. Clement	\$ 800
Billy Proehl, Jr.	840
Paul Shank	788
Russell Toussler	808
Edward Walker	<u>816</u>
	\$ <u>\$ 3,252</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements - Continued

June 30, 1997

NOTE 3 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft; 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 these 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.

GRANCO, CANTON & COMPANY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

ANTHONY DAVIS CENTRAL WAREHOUSE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL

Year Ended June 30, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 218,000	\$ 218,000	\$ 0.000
Ad valorem taxes local	100,000	100,000	0.000
Installations	4,000	4,000	0.000
Penalties and recovery fees	4,000	5,540	1,540
Miscellaneous	-	810	810
TOTAL OPERATING REVENUES	326,000	328,350	2,350
OPERATING EXPENSES			
Advertising	300	60	240
Amortization	-	2,000	(2,000)
Auto rental	1,000	2,210	(1,210)
Chemicals	18,000	20,200	(1,700)
Communications	1,000	2,200	1,200
Contract labor	1,000	420	580
Concession	300	570	270
Depreciation	70,000	110,070	(40,070)
Fees	1,000	1,000	0.000
Fuel	2,000	2,000	0.000
Insurance - employees	20,000	19,000	1,000
Insurance - other	21,000	6,600	14,400
Miscellaneous	2,000	1,700	300
Office	2,000	700	1,300
Per diem	4,200	4,200	0.000
Postage	2,000	2,000	0.000
Printing	1,000	200	800
Professional fees	2,000	2,000	0.000
Repairs and maintenance	20,100	20,070	30
Retirement	3,000	3,000	0.000
Salaries	60,700	60,700	0.000
Supplies	17,000	10,040	6,960
Taxes and licenses	4,200	4,200	0.000
Utilities	20,000	20,700	(700)
WTRC supplies	1,000	0.000	1,000
TOTAL OPERATING EXPENSES	328,300	328,310	0.000
OPERATING INCOME	48,000	48,040	40.000
NON-OPERATING REVENUES (EXPENSES)			
Interest income	10,000	10,000	0.000
Interest expense	(100,000)	(100,000)	0.000
	(90,000)	(90,000)	0.000

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
NET LOSS	\$ (14,383)	\$ 143,888	\$ 158,271
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce consolidated capital	<u>88,261</u>	<u>88,261</u>	<u>—</u>
INCREASE IN RETAINED EARNINGS	5,478	14,623	9,145
RETAINED EARNINGS - BEGINNING	<u>884,066</u>	<u>884,066</u>	<u>—</u>
RETAINED EARNINGS - ENDING	\$ <u>894,544</u>	\$ <u>902,710</u>	\$ <u>8,166</u>

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

GRAGSON, CASHDAY & CHILDRY, 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 23, 1987

Board of Commissioners
Jefferson Davis Central Waterworks District
Wetzel, 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, 1987, and have issued our report thereon dated July 23, 1987.

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 misstatements.

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 misstatements, 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.

Gragson, Cashday & Childry

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

July 26, 1997

Board of Commissioners
Jefferson Davis Central Waterworks District
Wash., 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, 1997, and have issued our report thereon dated July 25, 1997.

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. These 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 recorded 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, 1997, 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.

Gregory C. Gentry, C.P.A.