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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT
WELSH, LOUISIANA
ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS REPORTS

Year Ended June 30, 1998

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.

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Release Date _____

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INDEPENDENT AUDITORS' REPORT

July 28, 1998

Board of Commissioners
Jefferson Davis Central Waterworks District
Walth, 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, 1998. 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 the standards applicable to financial audits contained in 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, 1998, 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 Funded Financial Position and Fund Balances 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 stated 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 28, 1998 on our consideration of Jefferson Davis Central Waterworks District's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations and contracts.

Raymond A. Crayton, III
Raymond A. Crayton, III
Partner

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Balance Sheet

June 30, 1998

	<u>1998</u>	<u>1997</u>
ASSETS		
Cash	\$ 187,817	\$ 190,228
Investments	75,799	77,581
Accounts receivable	28,483	28,684
Prepaid expenses	4,186	4,186
Restricted assets		
Bond sinking fund		
Cash	31,451	35,285
Bond reserve fund		
Cash	61,296	61,383
Bond contingency fund		
Cash	17,209	8,682
Customer deposits		
Investments	70,000	70,794
Fixed assets (net)	2,573,206	2,618,263
Construction period interest (net)	63,089	63,088
TOTAL ASSETS	\$ 3,126,871	\$ 3,178,261
LIABILITIES		
Accounts payable	\$ 14,891	\$ 7,793
Assessed liabilities	2,473	2,383
Payable from restricted assets		
Revenue bond	31,913	8,378
Accrued interest	21,213	28,191
Customer deposits	74,818	71,794
Revenue bonds payable	957,848	1,019,881
TOTAL LIABILITIES	1,022,346	1,138,420
FUND EQUITY		
Contributed capital	1,165,093	1,163,535
Residual earnings		
Reserved for debt service	55,740	57,683
Unreserved	815,080	819,280
TOTAL FUND EQUITY	2,055,523	2,040,841
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,126,871	\$ 3,178,261

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, 1998

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Charges for services	\$ 258,837	\$ 248,967
Ad valorem taxes (net)	124,833	125,928
Investments	8,834	8,788
Fines and recovery fees	3,549	3,542
Miscellaneous	378	362
Gain on sale of fixed assets	<u>6,852</u>	<u>318</u>
TOTAL OPERATING REVENUES	399,877	388,298
OPERATING EXPENSES		
Advertising	174	68
Amortization	2,388	2,488
Auto rental	2,282	2,119
Chemicals	16,786	16,293
Communications	2,047	2,158
Contract labor	1,187	422
Construction	382	571
Depreciation	108,786	118,576
Fees	2,028	1,540
Fuel	3,691	2,845
Insurance - employees	14,347	13,922
Insurance - other	8,615	8,609
Miscellaneous	2,960	3,718
Office	3,468	785
Per diem	3,428	4,268
Postage	2,465	2,388
Printing	350	324
Professional fees	3,308	3,308
Repairs and maintenance	47,802	29,272
Utilities	3,458	3,387
Salaries	70,668	68,988
Supplies	12,759	10,347
Taxes and licenses	5,555	5,254
Utilities	<u>24,126</u>	<u>26,779</u>
Water samples	<u>689</u>	<u>689</u>
TOTAL OPERATING EXPENSES	338,762	318,515
OPERATING INCOME	61,115	69,783
NON-OPERATING REVENUES (EXPENSES)		
Interest income	21,804	18,908
Interest expense	<u>(21,278)</u>	<u>(133,129)</u>
	(68,474)	(114,221)

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 1998

	<u>1998</u>	<u>1997</u>
NET INCOME (LOSS)	\$ 7,463	\$ (41,568)
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital	<u>80,248</u>	<u>80,241</u>
INCREASE IN RETAINED EARNINGS	87,711	38,673
RETAINED EARNINGS - BEGINNING	<u>852,699</u>	<u>864,096</u>
RETAINED EARNINGS - ENDING	<u>\$ 940,410</u>	<u>\$ 902,769</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, 1998

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 51,819	\$ 53,883
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	2,388	2,388
Depreciation	188,768	110,576
Gain on sale of fixed assets	(6,852)	(759)
(Increase) decrease in		
Accounts receivable	(8,789)	1,683
Increase (decrease) in		
Accounts payable	6,294	861
Accrued expenses	98	54
Accrued interest payable	(1,804)	(289)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>151,598</u>	<u>167,682</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	2,808	2,271
Proceeds from sale of fixed assets	6,812	3,800
Acquisition of fixed assets	(23,719)	(4,265)
Principal paid on revenue bonds	(92,578)	(1,992)
Proceeds from issuance of advance refunding bonds	1,132,808	-
Payment to refunded bonds interest agent	(1,168,846)	-
Interest paid on revenue bonds	(26,488)	(113,328)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(111,857)</u>	<u>(119,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	21,828	18,308
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>26,479</u>	<u>66,672</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>273,228</u>	<u>286,556</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 299,707</u>	<u>\$ 353,228</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1998

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 Statute 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 with in the reporting entity. For financial reporting purposes, in accordance with GASB Statement No. 14, the Jefferson Davis Central Waterworks District includes all funds, account groups, or costs, that are within the oversight responsibility of the Jefferson Davis Central Waterworks District.

As the governing authority, for reporting purposes, the Jefferson 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 Jefferson 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 Jefferson Davis Parish Police Jury's reporting entity.

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.

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 basis. 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.

4. Cash and Investments

Cash includes amounts in demand deposits and time deposits with original maturity 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, 1998, the District has \$298,653 in deposits (collected bank balances). These deposits are secured from risk by \$1,139 of Federal deposit insurance and \$298,114 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 4 investments.

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	\$ 1,025,283	\$ _____	\$ _____	\$ 1,025,283	\$ 1,026,443

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 \$390,748 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 \$2,388 for the year-ended June 30, 1998.

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 \$290,783 which represents unrestricted amounts of \$183,817 and restricted amounts of \$106,966.

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 resources and reserves estimated.

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

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 - ALL VALUATION TAXES

For the year ended June 30, 1998 taxes of 9.89 mills were levied on property with assessed valuations totaling \$4,248,720 and were dedicated as follows:

General operations	9.89 mills
--------------------	------------

Total taxes levied were \$429,812.

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 10 of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1998

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	\$ 3,334,879	\$ -	\$ 3,334,879
Furniture, fixtures & equipment	8,194	462	8,656
Machinery and equipment	158,649	8,739	167,388
Land	18,080	-	18,080
	<u>3,719,802</u>	<u>\$ 9,201</u>	<u>3,736,813</u>
Less accumulated depreciation	<u>1,061,293</u>		<u>1,133,599</u>
TOTALS	<u>\$ 2,658,509</u>		<u>\$ 2,603,214</u>

Depreciation expense was \$185,368 for the year ended June 30, 1998.

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 - 90 years
Furniture, fixtures and equipment	5 - 18 years
Machinery and equipment	5 - 18 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, 1998:

Bonds payable, July 1, 1997	\$ 1,023,073
Bonds issued	1,132,808
Bonds retired	(1,647,248)
Less: Deferred amount refunding, net	<u>(185,368)</u>
Bonds payable June 30, 1998	<u>\$ 1,323,265</u>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 1998

NOTE D - LONG-TERM DEBT (CONTINUED)

Bonds payable at June 30, 1998 are comprised of the following individual issues:

\$ 1,065,000 Revenue Refunding Bonds dated April 11, 1989, due in annual installments of \$6,813 at April 1, 1999, interest at 11.8%	\$ 9,663
\$ 1,127,000 Advance Refunding Bonds dated August 3, 1991, due in annual installments of \$17,080 - \$179,808 through April 1, 2015, interest at 8.5%, less unamortized deferred amount on refunding of \$148,180	<u>943,840</u>
Total Long-Term Debt	<u>\$ 953,503</u>

B. Debt Service Requirements to Maturity

The annual requirements to amortize all debts outstanding as of June 30, 1998, including interest payments of \$1,674,458 are as follows:

Year Ending June 30,	
1999	\$ 120,843
2000	177,888
2001	123,268
2002	122,888
2003	121,728
Thereafter	<u>1,424,258</u>
	<u>\$ 2,000,765</u>

On August 3, 1991, the District issued \$1,127,000 in Refunding Bonds. The Refunding Bonds with an interest rate of 8.5% were used to refund \$1,084,888 of existing bonds with an interest rate of 11.8% and pay the issuance costs of the bonds of \$25,812. Total proceeds of \$1,127,000 included \$1,589 in accrued interest. An additional \$16,845 from District funds were used in the refunding.

The District refunded these bonds to benefit from declines in interest rates. Comparative debt service cash flows over the next twenty-one years were reduced \$458,175, realizing a net present value gain of \$153,525.