

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

Board of Commissioners
Jefferson Davis Parish Waterworks District No. 1
Jefferson Davis Parish, Louisiana

We have audited the component unit financial statements of the Jefferson Davis Parish Waterworks District No. 1, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated April 23, 1997.

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 component unit financial statements are free of material misstatement.

The management of the Jefferson Davis Parish Waterworks (District No. 1), 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 component unit 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 component unit financial statements of the Jefferson Davis Parish Waterworks District No. 1, for the years ended December 31, 1996 and 1995, 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 component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions 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 judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1

**Notes to the Financial Statements
December 31, 1996**

Long-term debt at December 31, 1996 and 1995 is comprised of the following:

	<u>1996</u>	<u>1995</u>
\$83,000, Farmers Home Administration note, payable in monthly installments of \$150, including principal and interest, to August 15, 2004, interest at 3.75%	\$ 28,130	\$ 31,200

The annual requirements to service all debt outstanding at December 31, 1996 and 1995 including interest of \$4,424 and \$5,599 are as follows:

Year ended <u>December 31</u>	<u>1996</u>	<u>1995</u>
1996	\$ 0	\$ 4,200
1997	4,200	4,200
1998	4,200	4,200
1999	4,200	4,200
2000	4,200	4,200
2001	4,200	4,200
2002	4,200	4,200
2003	4,200	4,200
2004	3,154	3,154
Total	\$ 32,354	\$ 30,754

6. LITIGATION AND CLAIMS

The District is not presently involved in any litigations as plaintiff or defendant.

ADDITIONAL REPORTS

We find that the limited number of personnel involved in the accounting system limits the segregation of duties consistent with appropriate control objectives creating a reportable condition. Due to the limited number of people it is impossible to implement the required segregation of duties consistent with appropriate control objectives without hiring additional personnel which becomes cost prohibitive.

Prior Year Findings

Findings

As reported in the Independent Auditor's Report on Internal Control Structure Based on an Audit of the Component Unit Financial Statements dated August 31, 1994, the water being distributed to the customers of the district is not being properly metered as it leaves the plant creating a reportable condition.

Resolution:

As of December 31, 1996, this condition has not been resolved.

A material weakness is a reportable condition in which the design or operation of the specific 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 component unit 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.

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 component unit 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 and, accordingly, would not necessarily disclose all material weaknesses that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Jefferson Davis Parish Waterworks District No. 1, for the years ended December 31, 1996 and 1995.

Because of the limited number of personnel involved in the accounting system, it is not feasible to have an adequate overall internal control structure. This deficiency in internal control structure could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We find that the limited number of personnel involved in the accounting system limits the segregation of duties consistent with appropriate control objectives creating a reportable condition. Due to the limited number of people it is impossible to implement the required segregation of duties consistent with appropriate control objectives without hiring additional personnel which becomes cost prohibitive.

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1

**Notes to the Financial Statements
December 31, 1996**

	<u>1996</u>	<u>1995</u>
Bond reserve account	\$ 7,793	\$ 7,349
Bond contingency account	19,007	18,144
Customer deposits	<u>2,825</u>	<u>2,485</u>
Total	\$ <u>29,625</u>	\$ <u>27,978</u>

4. PROPERTY, PLANT AND EQUIPMENT

A summary of Proprietary Fund Type property, plant and equipment at December 31, 1996 and 1995 follows:

	<u>1996</u>	<u>1995</u>
Land-right of way	\$ 400	\$ 400
Wells and pumps	34,966	34,966
Storage and treatment plant	92,000	92,000
Distribution system	58,565	58,565
Office Equipment	<u>3,663</u>	<u>0</u>
Total	\$ 189,194	\$ 185,931
Less accumulated depreciation	<u>(106,402)</u>	<u>(101,748)</u>
Net	\$ <u>82,794</u>	\$ <u>84,183</u>

5. LONG-TERM DEBT

At December 31, 1996 and 1995, the long-term debt of the District consists of a note payable to the Farmers Home Administration. Changes in long-term debt for the year ended December 31, 1996 and 1995 are as follows:

	<u>Balance at 12-31-95</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12-31-96</u>
Notes payable	\$ 21,203	\$ 0	\$ 3,073	\$ 28,136
	<u>Balance at 12-31-94</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12-31-95</u>
Notes payable	\$ 24,257	\$ 0	\$ 3,052	\$ 21,203

ADDITIONAL FINANCIAL INFORMATION

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1
Baton Rouge, Louisiana

COMPONENT UNIT BALANCE SHEET
As of December 31, 1996 and 1995

	1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,960	\$ 63,136
Accounts receivable	4,124	3,744
Total current assets	\$ 66,084	\$ 66,880
Restricted assets:		
Cash and cash equivalents	\$ 29,625	\$ 27,978
Property, plant and equipment, net	\$ 82,764	\$ 83,985
Total assets	\$ 178,619	\$ 178,843
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 3,075	\$ 3,051
Accounts payable	4,868	2,331
Customer deposits	2,825	2,485
Payroll and other taxes payable	1,385	993
Accrued liabilities	1,277	987
Total current liabilities	\$ 13,300	\$ 9,247
Other liabilities:		
Long-term debt, net of current portion	\$ 25,035	\$ 28,154
Fund equity:		
Retained earnings:		
Reserved	\$ 25,800	\$ 25,493
Unreserved/unallocated	154,448	153,951
Total retained earnings	\$ 180,248	\$ 179,444
Total liabilities and fund equity	\$ 178,619	\$ 178,843

The Accompanying Notes Are An Integral Part Of This Statement.

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1
Bossier, Louisiana

SCHEDULE OF COMPENSATION PAID TO COMMISSIONERS
For the Years Ended December 31, 1998 and 1999

	<u>1998</u>	<u>1999</u>
Walter Bernard	\$ 600	\$ 720
Harold Meunier	600	525
Raymond Brown	240	175
Joseph L. Thibodeaux	350	575
Clayton Harvey	750	575
Jacqueline Hayes	<u>750</u>	<u>300</u>
Total	\$ <u>3,690</u>	\$ <u>2,875</u>

Additional Information Required by United States Department of Agriculture
For the Year Ended December 31, 1966

1. Accounts receivable were aged as follows:

Current	\$ 1,000
Past due	204
	\$ 4,024

2. Number of residential and commercial customers: 286

3. Schedule of insurance in force was as follows:

Policy No.	Company	Agent	Type Coverage	Amount Coverage	Effective Date From	To
CL00046573	National Casualty Company	Petersen Insurance & Real Estate	General Liability	General aggregate \$2,000,000	2/1/56	2/1/57
				Products-complp Agg. \$2,000,000 Personal & adv. Injury \$1,000,000 Each occurrence \$1,000,000 Fire damage \$50,000 Medical expense \$3,000		
AM-437531384	American International South	Daly Williams Agency, Inc.	Water filtration System fire (90% coinsurance)	Hdg./Elec. System \$31,000 Water filtration system \$62,000 Elec. motors/pumps \$14,000	6/11/56	6/11/57

4. Schedule of water rates used were as follows:

0 to 3,000 gallons are billed \$18.00

consumption over 3,000 gallons is charged \$3.15 per every 100 gallons

10% late fee is assessed on past dues

Prior Year Findings

Finding:

As reported in the Independent Auditors' Report on Internal Control Structure Based on an Audit of the Component Unit Financial Statements dated August 31, 1994, water being distributed to the customers of the district is not being properly metered as it leaves the plant. The Board of Commissioners should be able to properly evaluate the amount of water being lost between the water plant and the next metering point. The Board of Commissioners is not able to determine the amount of water being lost through possible theft, leaks or faulty meter readings.

Resolution

As of December 31, 1996, this condition has not been resolved.

This report is intended for the information of the Jefferson Davis Parish Waterworks District No. 1, management, and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kirkland, Gillispie & Co.
Certified Public Accountants

Jennings, Louisiana
April 27, 1997

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1

Notes to the Financial Statements December 31, 1996

Because the police jury appoints members of the board and has the ability to significantly influence operations, the District was determined to be a component unit of the Jefferson Davis Parish Police Jury, the governing body of the parish with the oversight responsibility. The accompanying financial statements present information only on the funds maintained by the District and do not present information of the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

C. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in these individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund presented in the component unit financial statements is described as follows:

Proprietary Fund

Enterprise Funds - Enterprise funds are used to account for operations (a) which 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 or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) 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.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital (if any) and retained earnings components. Proprietary fund type operating statements present increases and decreases in net total assets. All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1

**Notes to the Financial Statements
December 31, 1996**

INTRODUCTION

The Waterworks District No. 1 of the Parish of Jefferson Davis (District) was created by the Jefferson Davis Parish Police Jury pursuant to LSA-RS 33:3801 in 1965. The District has the power and authority, within its boundaries, to establish, acquire, construct, improve, extend and maintain a waterworks system. The District is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 5, Section 30.

Under the provision of LSA-RS 33:3812, the District shall be governed and controlled by five commissioners who shall be the governing authority of the district. These commissioners must be a resident of and own at the five hundred dollars worth of real estate in the district, or they must be the representative of some corporation owning at least five hundred dollars in real estate in the district. These commissioners are appointed by the Jefferson Davis Police Jury. All commissioners shall serve at the pleasure of the authority which appointed them.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements 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.

B. REPORTING ENTITY

Section 2106 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the police jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1
 Bosska, Louisiana

COMPONENT UNIT STATEMENTS OF REVENUES
 EXPENDITURES, AND CHANGES IN RETAINED EARNINGS
 For the Years Ended December 31, 1998 and 1999

	<u>1998</u>	<u>1999</u>
Operating revenues:		
Charges for services	\$ 48,977	\$ 42,490
Operating expenses:		
Salaries and related benefits	\$ 11,349	\$ 18,829
Board per diem payments	3,600	2,870
Operating services	18,891	18,615
Materials, supplies and repairs	12,857	7,825
Depreciation expense	4,854	3,562
Total operating expenses	\$ 47,741	\$ 38,701
Operating income (loss)	\$ (1,764)	\$ 6,289
Nonoperating revenues:		
Interest income	\$ 3,884	\$ 3,411
Interest expense	(1,118)	(1,278)
Total nonoperating revenues (expenses)	\$ 2,766	\$ 2,133
Net income (loss)	\$ (1,198)	\$ 6,532
Retained earnings (deficit), as beginning of year	141,444	134,872
Retained earnings (deficit), end of year	\$ 140,246	\$ 141,444

The Accompanying Notes Are An Integral Part Of This Statement.

KIRKLOW, GILLESPIE & CO.

A CORPORATION INCORPORATED UNDER THE LAWS OF THE STATE OF MISSISSIPPI
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Jefferson Davis Parish Waterworks District No. 1
Brenning, Louisiana

We have audited the accompanying comparative component unit financial statements of the Jefferson Davis Parish Waterworks District No. 1 a component unit of the Jefferson Davis Parish Police Jury as of and for the years ended December 31, 1996 and 1995. These component unit financial statements are the responsibility of the Jefferson Davis Parish Waterworks District No. 1's management. Our responsibility is to express an opinion on these component unit 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Jefferson Davis Parish Waterworks District No. 1 as of December 31, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying information listed as additional financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Jefferson Davis Parish Waterworks District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Kirklow, Gillespie & Co.
Certified Public Accountants

Brenning, Louisiana
April 23, 1997

JEFFERSON DAVIS PARISH
WATERWORKS DISTRICT NO. 1
JENNINGS, LOUISIANA

COMPONENT UNIT FINANCIAL STATEMENTS
DECEMBER 31, 1994

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JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1

Notes to the Financial Statements
December 31, 1996

Distribution, Treatment, and Filtering Facilities	50 Years
Major Equipment and Facilities	20 Years
Minor Equipment and Facilities	10 Years
Office Furniture and Computers	5 Years

G. RESTRICTED ASSETS

These assets consist of cash restricted for various purposes as detailed in Note 3.

H. PENSION PLAN

The District has no full-time employees that qualify for participation in any of the public employee retirement systems.

I. RESERVES

The District uses reserves to indicate that a portion of the fund balance or retained earnings is legally segregated for a specific future use. The District has cash reserves on deposit as is required by 2601A.

2. CASH AND CASH EQUIVALENTS

At December 31, 1996 and 1995, the District had cash (bank) balances totaling \$91,622 and \$91,114 as follows:

	<u>1996</u>	<u>1995</u>
Non-interest-bearing demand deposits	\$ 46,114	\$ 47,291
Interest bearing savings accounts	1,718	1,878
Certificates of deposit	<u>43,790</u>	<u>41,945</u>
Total	<u>\$ 91,622</u>	<u>\$ 91,114</u>

At December 31, 1996 and 1995, the District had \$90,357 and \$91,287 in deposits (collected bank balances). These balances were fully secured from risk by federal deposit insurance.

3. RESTRICTED ASSETS

Assets were restricted for the following purposes as of December 31, 1996 and 1995:

JEFFERSON DAVIS PARISH WATERWORKS DISTRICT NO. 1
 Kenner, Louisiana

COMPONENT UNIT STATEMENT OF CASH FLOWS
 For the Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (1,764)	\$ 6,389
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,654	3,982
Net changes in assets and liabilities:		
Decrease (increase) in receivables	(450)	(152)
Increase (decrease) in accounts payable	3,520	1,417
Increase (decrease) in customer deposits	240	0
Increase (decrease) in payroll and other taxes payable	294	100
Increase (decrease) in accrued liabilities	888	380
Net cash provided by operating activities	<u>\$ 6,482</u>	<u>\$ 12,057</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (3,463)	\$ (5,894)
Principal paid on notes	(3,075)	(3,052)
Interest paid on notes	(1,130)	(1,238)
Net cash provided (used) by capital and related financing activities	<u>\$ (7,668)</u>	<u>\$ (10,184)</u>
Cash flows from investing activities:		
Interest income	\$ 3,684	\$ 3,411
Net increase (decrease) in cash and cash equivalents	\$ 508	\$ 3,429
Cash and cash equivalents at beginning of year	<u>91,114</u>	<u>87,685</u>
Cash and cash equivalents at end of year	<u>\$ 91,622</u>	<u>\$ 91,114</u>
Cash and cash equivalents at end of year consist of:		
Unrestricted cash	\$ 61,960	\$ 63,126
Restricted cash	<u>29,662</u>	<u>27,978</u>
Total	<u>\$ 91,622</u>	<u>\$ 91,114</u>

The Accompanying Notes Are An Integral Part Of This Statement.

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**JEFFERSON DAVIS PARISH
WATERWORKS DISTRICT NO. 1
Jennings, Louisiana**

**Component Unit Financial Statements
December 31, 1996**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewer, 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 JAN 01 1997