

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT AND  
INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2020

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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

The Management's Discussion and Analysis of the Jefferson Davis Central Waterworks District (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2020. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's assets exceeded its liabilities by \$5,614,125 (net position) for the fiscal year reported.
- Total revenues of \$1,123,531 exceeded total expenditures of \$755,727, which resulted in a current year surplus of \$367,804, compared to prior year surplus of \$307,989.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, net of related debt, of \$2,641,315 include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
  - (2) Net position - unrestricted net assets of \$2,972,810.
- At the end of the current fiscal year, unreserved net position were 393% of total expenditures and 232% of total revenues.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data for the prior year is presented.

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Positions; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The District's net position at fiscal year-end is \$5,614,125. The following table provides a summary of the District's net position:

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets	\$ 3,253,060	\$ 2,755,339
Capital assets	2,641,315	2,739,786
Other assets	<u>10,547</u>	<u>12,935</u>
Total assets	<u>5,904,922</u>	<u>5,508,060</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	217,676	197,780
Long-term liabilities	<u>73,121</u>	<u>63,959</u>
Total liabilities	<u>290,797</u>	<u>261,739</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets, net of debt	2,641,315	2,739,786
Net position - unrestricted	<u>2,972,810</u>	<u>2,506,535</u>
Total net position	<u>\$ 5,614,125</u>	<u>\$ 5,246,321</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

52% (52% for 2019) of the District's net position is tied up in capital assets and restricted net position. The District uses these capital assets to provide services to its customers.

The following table provides a summary of the District's changes in net position:

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 633,429	\$ 636,120
Non-operating Revenues	<u>490,102</u>	<u>446,114</u>
Total Revenues	1,123,531	1,082,234
Depreciation Expense	171,697	171,696
Other Operating Expenses	584,030	600,835
Non-operating Expenses	<u>-</u>	<u>-</u>
Total Expenses	<u>755,727</u>	<u>774,245</u>
Change in Net Position	367,804	307,989
Beginning Net Position	<u>5,246,321</u>	<u>4,938,332</u>
Ending Net Position	<u>\$ 5,614,125</u>	<u>\$ 5,246,321</u>

**BUDGETARY HIGHLIGHTS**

**ENTERPRISE FUND**

Actual revenues exceeded the budget by \$38,531 or 3%, mainly due to interest and ad valorem taxes. Budget expenses exceeded actual by \$279,273 or 37%, mainly due to salaries and repairs and maintenance.

The budget was not amended during the fiscal year.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

**CAPITAL ASSETS**

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2020, was \$2,641,315. See Note C for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2020</u>	<u>2019</u>
Nondepreciable assets:		
Land	\$ 28,285	\$ 28,285
Construction in progress	40,613	22,479
Depreciable assets:		
Plant & Distribution system	6,429,462	6,429,462
Furniture, fixtures and equipment	<u>451,952</u>	<u>396,860</u>
Total depreciable assets	6,881,414	6,826,322
Less accumulated depreciation	<u>4,308,997</u>	<u>4,137,300</u>
Book value-depreciable assets	<u>\$ 2,572,417</u>	<u>\$ 2,689,022</u>
Percentage depreciated	<u>61%</u>	<u>61%</u>
Book value-all assets	<u>\$ 2,641,315</u>	<u>\$ 2,739,786</u>

Construction in progress is for a line boring project in Woodlawn. The total estimated cost of the project is \$300,000 and is expected to be completed by February 2021.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rhonda Migl, Office Manager of Jefferson Davis Central Waterworks District.

## INDEPENDENT AUDITORS' REPORT

February 2, 2021

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the accompanying financial statements of the business-type activities 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jefferson Davis Central Waterworks District as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on pages 3 through 6 and 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Jefferson Davis Central Waterworks District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional



procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Prior Year Data**

The financial information for the year ended June 30, 2019 is presented for comparative, analytic purposes. We have previously audited the financial statements as of and for the year ended June 30, 2019 and have issued our report dated August 21, 2019. The presented summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021 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, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis Central Waterworks District's internal control over financial reporting and compliance.

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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Net Position

June 30, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 2,992,829	\$ 2,507,861
Accounts receivable, net	56,883	56,297
Prepaid expenses	10,271	9,971
	<u>3,059,983</u>	<u>2,574,129</u>
Restricted Assets		
Customer deposits		
Cash	193,077	181,210
Total current assets	<u>3,253,060</u>	<u>2,755,339</u>
Property, plant and equipment		
Land	28,285	28,285
Construction in progress	40,613	22,479
Distribution system	6,429,462	6,429,462
Furniture, fixtures and equipment	69,017	69,017
Machinery and equipment	382,935	327,843
	<u>6,950,312</u>	<u>6,877,086</u>
Less accumulated depreciation	<u>4,308,997</u>	<u>4,137,300</u>
	2,641,315	2,739,786
Other assets		
Construction period interest, net	<u>10,547</u>	<u>12,935</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,904,922</u>	<u>\$ 5,508,060</u>

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Net Position - Continued

June 30, 2020

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current Liabilities		
Payable from current assets		
Accounts payable	\$ 27,198	\$ 15,257
Accrued liabilities	6,266	6,080
	<u>33,464</u>	<u>21,337</u>
Payable from restricted assets		
Customer deposits	184,212	176,443
Total Current Liabilities	<u>217,676</u>	<u>197,780</u>
Long-term liabilities		
Accrued compensated absences	73,121	63,959
	<u>290,797</u>	<u>261,739</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Investment in capital assets, net of related debt	2,641,315	2,739,786
Net position - Unrestricted	2,972,810	2,506,535
Total Net Position	<u>5,614,125</u>	<u>5,246,321</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,904,922</u>	<u>\$ 5,508,060</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020

	2020	2019
OPERATING REVENUES		
Charges for services	\$ 599,193	\$ 597,929
Installations	17,150	14,950
Penalties and reconnect fees	17,086	23,136
Miscellaneous	-	105
TOTAL OPERATING REVENUES	633,429	636,120
OPERATING EXPENSES		
Advertising	439	693
Amortization	2,387	2,387
Auto mileage	743	1,288
Chemicals	30,528	27,850
Communications	5,946	5,646
Contract labor	-	400
Convention expense	-	519
Depreciation	171,697	173,410
Dues	4,005	3,859
Equipment rental	4,800	2,610
Fuel	8,176	7,078
Garbage service	318	359
Insurance - employees	46,635	48,145
Insurance - other	22,273	21,143
Meter reading services	24,836	24,104
Miscellaneous	4,401	3,562
Office	8,214	2,903
Per diem	9,600	8,250
Postage	6,356	6,107
Printing	848	776
Professional fees	10,500	9,500
Repairs and maintenance	26,604	36,860
Retirement	20,289	18,829
Salaries	216,847	209,547
Supplies	69,476	92,084
Taxes and licenses	15,952	15,521
Utilities	42,551	48,483
Water samples	1,306	2,332
TOTAL OPERATING EXPENSES	755,727	774,245
OPERATING PROFIT (LOSS)	(122,298)	(138,125)

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position - Continued  
Year Ended June 30, 2020

	2020	2019
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	\$ 438,821	\$ 419,778
Interest income	46,554	26,336
Other income	4,727	-
	490,102	446,114
CHANGE IN NET POSITION	367,804	307,989
NET POSITION - BEGINNING	5,246,321	4,938,332
NET POSITION - ENDING	\$ 5,614,125	\$ 5,246,321

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows

Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING REVENUES		
Received from customers	\$ 632,845	\$ 633,769
Payments for supplies	(343,808)	(385,406)
Payments for services	<u>(216,847)</u>	<u>(209,547)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	72,190	38,816
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	7,769	7,215
Proceeds from other income	4,727	-
Acquisition of fixed assets	(73,226)	(22,479)
Ad valorem taxes	<u>438,821</u>	<u>419,778</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	378,091	404,514
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>46,554</u>	<u>26,336</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	496,835	469,666
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,689,071</u>	<u>2,219,405</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,185,906</u>	<u>\$ 2,689,071</u>

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

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows - Continued

Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit (loss)	\$ (122,298)	\$ (138,125)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Amortization	2,388	2,387
Depreciation	171,697	173,410
(Increase) decrease in:		
Accounts receivable	(586)	(2,351)
Prepaid expenses	(300)	(606)
Increase (decrease) in:		
Accounts payable	11,941	(2,803)
Accrued liabilities	186	243
Accrued compensated absences	9,162	6,661
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 72,190</u>	<u>\$ 38,816</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

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.

1. Reporting Entity

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. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority to the district and has the ability to impose its will, the District was determined to be a component unit of the Jeff Davis Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.



# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2020

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 2. Basis of Presentation

The accompanying financial statements of the Jefferson Davis Central Waterworks District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the District are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### 3. Cash

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

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, 2020, the District has \$3,197,312 in deposits (collected bank balances). All of which are secured by federal deposit insurance and pledged securities held in the District's name.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Accounts Receivable

Uncollectible amounts due for accounts receivable are recognized as bad debts using the direct write-off method. Uncollectible amounts 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 a bad debt that is materially different from the amount that would be charged if the reserve method were used.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District's ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

5. Construction Period Interest

Interest costs of \$90,740 during original construction period of plant were capitalized and are being amortized over the term of the original bond issue using the straight-line method. Amortization expense was \$2,387 for the year ended June 30, 2020.

6. Compensated Absences

The District has the following policy relating to vacation and sick leave:

Vacation - Two weeks after 1 year of service,  
- Three weeks after 10 years of service,  
- Four weeks after 20 years of service.  
- Vacation may not be carried over to the next year and will not be paid upon termination.

Sick Leave - One day per month after 30 days of employment.  
- Maximum of 150 days may be carried over to the next year.  
- Unused sick days will be paid upon retirement.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District's recognition and measurement criterion for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 also provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

At June 30, 2020, the District had an accrual for compensated absences of \$73,121.

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 \$3,185,906 which represents unrestricted amounts of \$2,992,829 and restricted amounts of \$193,077.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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.

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

9. Net Position

In the financial statements, equity is classified as net position and displayed in three components:

- a. Net invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Subsequent Events

Management has evaluated subsequent events through February 2, 2021, the date the financial statements were available to be issued. As a result of the spread of the COVI-19 coronavirus, economic uncertainties have arisen which may impact the District's ongoing operations; however, the extent and severity of the potential impact is unknown at this time.

12. Comparative Data

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

NOTE B - AD VALOREM TAXES

For the year ended June 30, 2020 taxes of 10.24 mills were levied on property with assessed valuations totaling \$48,234,509 and were dedicated as follows:

General operations	10.24 mills
--------------------	-------------

Total taxes levied were \$493,924.

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

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.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE C - FIXED ASSETS - CONTINUED

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

Plant & distribution system	30 - 50 years
Furniture, fixtures and equipment	3 -10 years

A summary of changes in fixed assets for the year ended June 30, 2020 are as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of year</u>
Land	\$ 28,285	\$ -	\$ -	\$ 28,285
Construction in Progress	22,479	18,134	-	40,613
Plant & Distribution System	6,429,462	-	-	6,429,462
Furniture, Fixtures & Equipment	<u>396,860</u>	<u>55,092</u>	-	<u>451,952</u>
	6,877,086	<u>\$ 73,226</u>	<u>\$ -</u>	6,950,312
Less accumulated depreciation	<u>(4,137,300)</u>			<u>(4,308,997)</u>
Totals	<u>\$ 2,739,786</u>			<u>\$ 2,641,315</u>

Depreciation expense was \$171,697 for the year ended June 30, 2020.

Construction in progress of \$40,613 at June 30, 2020 consists of the Woodlawn Line Boring Project. The total project costs is estimated at \$300,000 to be completed by February 2021.

NOTE D - PER DIEM

Total per diem paid consisted of the following:

Benet Augustine	\$ 1,800
Billy Compton	1,950
Steve Lopez	1,950
John Reeves	1,950
Kevin Webb	<u>1,950</u>
	<u>\$ 9,600</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE E - 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.

NOTE F – RETIREMENT COMMITMENTS

The District approves annually contributions to individual retirement accounts of all eligible employees. Eligible employees are all full-time employees after one year of service. Contribution rate is 10% of annual salary. Total payroll for the District was \$207,685 and total payroll for covered employees was \$202,885. Total contributions made by the District were \$20,288. Participants are immediately fully vested.

REQUIRED SUPPLEMENTAL INFORMATION



JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position -  
Budget and Actual

Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 600,000	\$ 599,193	\$ (807)
Installations	16,000	17,150	1,150
Penalties and reconnect fees	23,000	17,086	(5,914)
Miscellaneous	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>639,000</b>	<b>633,429</b>	<b>(5,571)</b>
<b>OPERATING EXPENSES</b>			
Advertising	800	439	361
Amortization	-	2,387	(2,387)
Auto mileage	-	743	(743)
Bad debt expense	1,000	-	1,000
Bank charges	800	-	800
Chemicals	32,000	30,528	1,472
Communication	6,000	5,946	54
Contract labor	7,300	-	7,300
Convention	2,000	-	2,000
Depreciation	-	171,697	(171,697)
Dues	12,000	4,005	7,995
Equipment rental	6,500	4,800	1,700
Fuel	13,200	8,176	5,024
Garbage service	400	318	82
Insurance - employees	55,000	46,635	8,365
Insurance - other	30,000	22,273	7,727
Meter reading services	28,000	24,836	3,164
Miscellaneous	5,000	4,401	599
Office	5,000	8,214	(3,214)
Per diem	10,500	9,600	900
Postage	7,500	6,356	1,144
Printing	3,000	848	2,152
Professional fees	10,500	10,500	-
Repairs and maintenance	329,500	26,604	302,896
Retirement	40,000	20,289	19,711
Salaries	250,000	216,847	33,153
Supplies	100,000	69,476	30,524
Taxes and licenses	23,000	15,952	7,048
Utilities	51,000	42,551	8,449
Water samples	5,000	1,306	3,694
<b>TOTAL OPERATING EXPENSES</b>	<b>1,035,000</b>	<b>755,727</b>	<b>279,273</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(396,000)</b>	<b>(122,298)</b>	<b>273,702</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Ad valorem taxes (net)	420,000	438,821	18,821
Interest income	26,000	46,554	20,554
Other income	-	4,727	4,727
	<b>446,000</b>	<b>490,102</b>	<b>44,102</b>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position -  
Budget and Actual - Continued

Year Ended June 30, 2020

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CHANGE IN NET POSITION	\$ 50,000	\$ 367,804	\$ 317,804
NET POSITION - BEGINNING	<u>5,246,321</u>	<u>5,246,321</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 5,296,321</u>	<u>\$ 5,614,125</u>	<u>\$ 317,804</u>

## OTHER INFORMATION

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Compensation, Benefits and Other Payments  
To Chief Executive Officer

Year Ended June 30, 2020

Chief Executive Officer: John Reeves, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	1,950
Reimbursements	-
Travel	-
Registration fees	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

February 2, 2021

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2020, and the related notes to the financial statements, which collectively comprise Jefferson Davis Central Waterworks District's basic financial statements, and have issued our report thereon dated February 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jefferson Davis Central Waterworks District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did

identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson Davis Central Waterworks District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Jefferson Davis Central Waterworks District's Response to Findings**

Jefferson Davis Central Waterworks District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Jefferson Davis Central Waterworks District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Shagren, Cassidy: Skully*

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2020

1. Summary of Auditors' Results:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses(es) identified?                     yes     no
- Control deficiencies identified that are not considered to be material weakness(es)?     yes     none reported
- Noncompliance material to financial statements noted?                     yes     no

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

Finding #2020-001

**Inadequate Segregation of Duties**

Condition:                    Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect:                        Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation:        To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Management Response/Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review bank reconciliations on a monthly basis.

3. Findings and Questioned Costs for Federal Awards

N/A

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Responses - Continued

Year Ended June 30, 2020

4. Prior Year Findings

**Finding #2019-001**

Inadequate segregation of duties

Corrective Action Taken: None, repeat finding in 2020.