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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT AND  
INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public entities. 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 11-25-04

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JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

As of June 30, 2004

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, 2004. 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 at the close of fiscal year 2004 by \$2,154,784 (net assets). Of this amount, \$224,165 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- The District's net assets increased by \$23,475.
- Total revenues increased by \$17,500 from the prior year, mainly from increases in water sales revenues and expenses increased by \$10,165 from the prior year, mainly from increases in chemicals and salaries.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Management's Discussion and Analysis

Basic Financial Statements

These financial statements consist of two sections – Management's Discussion and Analysis (this section) and the basic financial statements, including the notes to the 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 Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

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

CHASCO, COTTON & COMPANY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA**

**Management's Discussion and Analysis**

As of June 30, 2004

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

The Statement of Cash Flows 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 from operating activities (indirect method) as required by GASB 34.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Jefferson Davis Central Waterworks District's budget to actual comparison.

**FINANCIAL ANALYSIS OF THE DISTRICT**

	2004	2003
Current and other assets	\$ 851,217	\$ 735,564
Capital assets	<u>2,840,210</u>	<u>2,302,561</u>
Total assets	<u>3,691,427</u>	<u>3,038,125</u>
Other liabilities	119,921	127,501
Long-term debt outstanding	<u>1,229,128</u>	<u>802,808</u>
Total liabilities	<u>1,349,049</u>	<u>930,309</u>
Net assets:		
Invested capital assets, net of debt	1,611,388	1,519,806
Restricted	39,230	43,830
Unrestricted	<u>564,166</u>	<u>564,273</u>
Total net assets	<u>\$ 2,185,784</u>	<u>\$ 2,128,909</u>

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District increased by \$23,476 from June 30, 2003 to June 30, 2004.

	2004	2003
Operating revenues	\$ 372,010	\$ 384,118
Operating expenses	<u>(412,835)</u>	<u>(462,921)</u>
Operating income (loss)	(40,825)	(48,527)
Non-operating revenues (expenses)	<u>64,270</u>	<u>89,572</u>
Net increase (decrease) in net assets	<u>\$ 23,445</u>	<u>\$ 40,945</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA

Management's Discussion and Analysis

As of June 30, 2004

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2004, the District had \$2,840,516, net of accumulated depreciation, invested in a broad range of capital assets, including land, plant and distribution systems, and furniture, fixtures, and equipment (See Table below). This amount represents a net increase of \$517,025 or 22.9%, over last year.

	2004	2003
Land	\$ 18,000	\$ 19,800
Plant and Distribution System	4,414,201	3,783,701
Furniture, Fixtures, and Equipment	178,082	175,785
Less Accumulated Depreciation	<u>(1,771,827)</u>	<u>(1,896,795)</u>
Total	<u>\$ 2,840,516</u>	<u>\$ 2,323,691</u>

This year's major capital additions included above were:

- Three new tanks \$ 815,774

**Debt**

The District had \$1,312,000 in revenue bonds outstanding at June 30, 2004. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	2004	2003
Revenue bonds	<u>\$ 1,312,000</u>	<u>\$ 668,000</u>

\$668,000 in revenue bonds were issued during the year ended June 30, 2004 to finance the construction of capital assets.

**CONTACTING THE DISTRICT'S 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 Shirley McNabb, Office Manager of Jefferson Davis Central Waterworks District.



**GRAGSON, CANADAY & GULLERBY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

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JEFFERSON, LOUISIANA 70601  
JEFFERSON, LOUISIANA 70601

## INDEPENDENT AUDITOR'S REPORT

September 1, 2004

Board of Commissioners  
Jefferson Davis Central Waterworks District  
West, Louisiana

We have audited the basic 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, 2004. These basic financial statements are the responsibility of the Jefferson Davis Central Waterworks District's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2004 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. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Deigarn, Casaday & Associates*

## JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Statement of Net Assets

June 30, 2004

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 285,010	\$ 198,000
Investments	37,178	250,804
Accounts receivable	31,311	28,867
Prepaid expenses	<u>8,638</u>	<u>8,234</u>
	362,137	485,905
<b>Restricted assets</b>		
Bond sinking fund		
Cash	39,709	31,271
Bond reserve fund		
Cash	105,213	88,870
Bond contingency fund		
Cash	10,130	3,830
Customer deposits		
Investments	<u>94,184</u>	<u>51,824</u>
	<u>249,236</u>	<u>175,795</u>
Total current assets	<u>611,373</u>	<u>661,700</u>
<b>Property, plant and equipment</b>		
Distribution system	4,414,200	3,783,701
Furniture, fixtures and equipment	13,447	11,140
Machinery and equipment	<u>104,043</u>	<u>164,890</u>
	4,531,690	3,959,731
Less accumulated depreciation	<u>1,711,677</u>	<u>1,898,758</u>
	2,820,013	2,060,973
Land	<u>19,906</u>	<u>19,900</u>
	<u>2,840,519</u>	<u>2,080,873</u>
<b>Other assets</b>		
Construction period interest, net	<u>88,783</u>	<u>51,161</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,481,732</b>	<b>\$ 3,068,496</b>

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

Continued

## JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Statement of Net Assets - Continued

June 30, 2004

	2004	2003
<b>LIABILITIES AND NET ASSETS:</b>		
Current Liabilities		
Payable from current assets		
Accounts payable	\$ 3,258	\$ 18,568
Accrued liabilities	<u>2,824</u>	<u>2,825</u>
	8,732	21,383
Payable from restricted assets		
Current portion of revenue bonds	184,800	68,000
Accrued interest	18,908	14,144
Customer deposits	<u>88,794</u>	<u>91,204</u>
	272,502	173,348
Total Current Liabilities	<u>272,502</u>	<u>194,731</u>
Long-term liabilities		
Revenue bonds payable (net of current portion)	<u>1,138,108</u>	<u>738,680</u>
Total Liabilities	<u>1,345,948</u>	<u>933,412</u>
Net Assets		
Investment in capital assets, net of related debt	1,511,388	1,518,565
Restricted for debt service	30,230	43,630
Unrestricted	<u>568,198</u>	<u>564,373</u>
Total Net Assets	<u>2,111,798</u>	<u>2,126,568</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,457,746</u></b>	<b><u>\$ 1,059,980</u></b>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2004

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 330,080	\$ 330,200
Installations	5,151	5,521
Penalties and reconnect fees	18,042	15,015
Miscellaneous	<u>8,781</u>	<u>3,361</u>
<b>TOTAL OPERATING REVENUES</b>	<u>362,054</u>	<u>354,107</u>
<b>OPERATING EXPENSES</b>		
Advertising	155	794
Amortization	2,388	2,388
Auto mileage	3,000	3,000
Chemicals	18,848	52,834
Communication	2,949	3,131
Contract labor	72	118
Convention	322	516
Depreciation	114,883	110,381
Dues	2,785	3,660
Equipment rental	1,071	955
Fuel	3,140	3,071
Garbage service	388	332
Insurance - employees	29,734	20,809
Insurance - other	18,848	11,151
Meter reading services	11,370	10,772
Miscellaneous	1,480	7,507
Office	4,840	1,513
Per diem	3,480	4,200
Postage	3,069	2,889
Printing	689	958
Professional fees	12,885	9,048
Repairs and maintenance	44,100	47,802
Retirement	4,500	4,171
Salaries	98,720	91,025
Supplies	12,847	17,078
Taxes and licenses	7,279	7,088
Utilities	23,825	24,081
Water samples	<u>885</u>	<u>625</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>612,839</u>	<u>602,631</u>
<b>OPERATING LOSS</b>	<b>(40,800)</b>	<b>(48,524)</b>

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 Assets - Continued

Year Ended June 30, 2004

	<u>2004</u>	<u>2003</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes, net	\$ 142,451	\$ 130,404
Gain (loss) on sale of fixed assets	-	10,200
Interest income	4,887	13,404
Interest expense	<u>(83,022)</u>	<u>(16,004)</u>
	<u>64,316</u>	<u>88,004</u>
 <b>CHANGE IN NET ASSETS</b>	 23,476	 40,040
<b>NET ASSETS - BEGINNING</b>	<u>2,128,369</u>	<u>2,088,329</u>
 <b>NET ASSETS - ENDING</b>	 <u>\$ 2,151,845</u>	 <u>\$ 2,128,369</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, 2004

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 370,872	\$ 366,375
Payments for supplies and services	(308,892)	(281,248)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>61,980</u>	<u>85,127</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions from customers	2,220	3,547
Proceeds from sale of refunding bonds	506,900	-
Proceeds from sale of fixed assets	-	10,268
Acquisition of fixed assets	(522,800)	(50,431)
Principal paid on bonds	(88,000)	(51,000)
Ad valorem taxes	142,491	139,464
Interest paid on revenue bonds	(67,239)	(81,324)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(144,868)</u>	<u>(20,526)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	261,907	-
Purchase of investments	-	(250,068)
Interest on investments	4,837	13,464
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>266,744</u>	<u>(73,594)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>178,341</u>	<u>(10,063)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>262,808</u>	<u>463,732</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 441,149</u>	<u>\$ 202,669</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, 2004

	<u>2004</u>	<u>2003</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (40,800)	\$ (48,527)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Amortization	2,388	2,388
Depreciation	114,868	110,381
(Increase) decrease in		
Accounts receivable	(1,344)	12,265
Prepaid expenses	(424)	717
Increase (decrease) in		
Accounts payable	(15,300)	9,253
Accrued expenses	(391)	(404)
Accrued interest payable	<u>2,761</u>	<u>(662)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 41,800</u>	<u>\$ 65,129</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest	<u>\$ 48,820</u>	<u>\$ 62,264</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2004

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 accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Jefferson Davis Central Waterworks District includes all funds, account groups, or centers, 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 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, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Enterprise Fund is used by the District 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 District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets, net of related debt* - This component of net assets 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 unpaid related debt proceeds at year-end, the portion of the debt attributable to the unpaid related debt proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unpaid proceeds.

*Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* - The component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Continued

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT**

**Notes to Financial Statements**

**June 30, 2004**

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

**4. Cash and Investments**

**Cash**

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the District has \$439,747 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$339,747 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 issued or registered or for which the securities are held by the District or its agent in the name of the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the name of the District. There are no Category 2 investments. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the name of the District. There are no Category 3 investments.

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	<b>\$,131,370</b>	<b>\$,_____</b>	<b>\$,_____</b>	<b>\$,131,370</b>	<b>\$,131,370</b>

**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.

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Construction Period Interest

Interest costs of \$80,740 during original construction period of plant was capitalized and is being amortized over the term of the original bond issue using the straight-line method. Amortization expense was \$2,368 for the year ended June 30, 2004.

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 \$438,145 which represents unrestricted amounts of \$285,010 and restricted amounts of \$154,135.

8. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE B - AD VALOREM TAXES

For the year ended June 30, 2004 taxes of 18.17 mills were levied on property with assessed valuations totaling \$14,727,426 and were dedicated as follows:

General operations	18.17 mills
--------------------	-------------

Total taxes levied were \$149,379.

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 sale.

Continued

## JEFFERSON PARISH CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2004

## NOTE B - AD VALOREM TAXES - CONTINUED

Through June 30, 2004, \$14,874 of ad valorem taxes was paid under protest by various taxpayers. The taxpayers will present their protest to the Louisiana Tax Commission which will render a decision. It is possible that these funds, which are reported in the cash amount on the balance sheet, would have to be refunded to the taxpayers.

## 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.

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, 2004:

Bonds payable, June 30, 2003	\$ 802,586
Bonds issued	500,000
Bonds retired	(98,000)
Plus: Annual amortization of 1997 bond issuance costs	<u>12,442</u>
Bonds payable June 30, 2004	<u>\$ 1,216,128</u>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2004

NOTE D - LONG-TERM DEBT - CONTINUED

Bonds payable at June 30, 2004 are comprised of the following individual issues:

\$ 658,000 Refunding Bonds dated April 1, 2002, due in annual installments of \$21,600-\$116,000 through April 1, 2013, interest at 5.25%, less unamortized deferred amount on refunding of \$92,872	746,128
\$425,800 revenue bonds dated August 1, 2003, due in annual installments of \$15,000-\$45,000 through April 1, 2018, interest variable from 2.97%-4.28%	426,000
\$75,000 revenue bonds dated August 1, 2003, due in annual installments of \$15,000 through April 1, 2008, no interest	<u>60,000</u>
	1,239,128
Less currently payable	<u>101,000</u>
Total Long-Term Debt	<u>\$ 1,138,128</u>

B. Debt Service Requirements to Maturity

The annual requirements to amortize all debts outstanding as of June 30, 2004 for the next five years, including interest payments, are as follows:

Year Ending June 30,	
2005	\$ 168,631
2006	168,768
2007	189,570
2008	199,114
2009	170,233

Refunding bond issuance costs of \$108,584 are deferred and are being amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Amortization expense is \$12,442 for the year ended June 30, 2004.

NOTE E - COMPONENTS OF RESTRICTED ASSETS

Enterprise Fund	Revenue Bond Sinking	Revenue Bond Reserve	Revenue Bond Contingency	Customer Deposits	Total
Cash and Investments	\$ 38,793	\$ 405,212	\$ 10,130	\$ 64,184	\$ 518,319

Continued

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT**

Notes to Financial Statements

June 30, 2004

**NOTE E - COMPONENTS OF RESTRICTED ASSETS - CONTINUED**

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

The amount of restricted net assets for debt service is detailed as follows:

Restricted assets: revenue bond sinking, reserve and contingency funds	\$ 154,535
Less: Current maturities of revenue bonds, payable from restricted assets	101,000
Accrued interest, payable from restricted assets	<u>90,905</u>
<b>Restricted Net Assets</b>	<b><u>\$ 36,230</u></b>

**NOTE F - PGR CLAIM**

Total per claim paid consisted of the following:

Lee J. Clement	\$ 750
Billy Compton	600
Billy Precht, Jr.	500
J. Terry Richard	700
JoAnn Stark	<u>750</u>
	<b><u>\$ 3,400</u></b>

**NOTE G - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 227,180	\$ 228,082	\$ 1,902
Installations	4,580	3,181	697
Penalties and reconnect fees	14,580	18,942	4,442
Miscellaneous	3,480	8,791	5,301
<b>TOTAL OPERATING REVENUES</b>	<b>250,820</b>	<b>259,096</b>	<b>18,276</b>
<b>OPERATING EXPENSES</b>			
Advertising	1,000	185	845
Amortization	-	2,388	(2,388)
Auto mileage	3,000	3,000	-
Chemicals	18,000	18,588	(1,588)
Communication	3,500	2,040	550
Contract labor	580	72	498
Convention	780	302	478
Depreciation	100,040	114,883	(13,843)
Dues	4,500	3,785	1,715
Equipment rental	3,000	1,071	1,929
Fuel	4,400	3,140	1,260
Garbage service	580	388	192
Insurance - employees	23,600	23,734	(134)
Insurance - other	13,500	10,548	2,952
Meter reading services	12,000	11,370	630
Miscellaneous	5,880	1,480	4,400
Office	2,000	4,545	(2,545)
Per diem	4,500	3,480	1,020
Postage	3,800	3,088	441
Printing	1,000	989	11
Professional fees	12,500	12,883	618
Repairs and maintenance	88,800	44,188	14,394
Retirement	4,800	4,080	204
Salaries	86,720	86,725	5
Supplies	22,000	12,847	9,453
Taxes and licenses	7,420	7,219	201
Utilities	25,400	23,625	4,775
Water samples	1,200	888	312
<b>TOTAL OPERATING EXPENSES</b>	<b>624,892</b>	<b>612,605</b>	<b>22,287</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(15,388)</b>	<b>(40,809)</b>	<b>24,999</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Ad valorem taxes (net)	127,080	142,481	15,401
Interest income	17,000	4,687	(12,313)
Interest expense	(88,600)	(89,022)	(4,862)
	<b>25,480</b>	<b>48,146</b>	<b>(22,666)</b>

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 Assets -  
Budget and Actual - Continued

Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
CHANGE IN NET ASSETS	\$ -	\$ 23,478	\$ 23,478
NET ASSETS - BEGINNING	<u>2,126,368</u>	<u>2,126,368</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 2,126,368</u>	<u>\$ 2,151,754</u>	<u>\$ 25,426</u>

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



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

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

September 1, 2004

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Baldwin, Louisiana

We have audited 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, 2004, and have issued our report thereon dated September 1, 2004. 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.

**Compliance**

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 grants, 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 that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson Davis Central Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be

Jefferson Davis Central Waterworks District

September 1, 2004

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material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Gregory Casaday & Shultz*