

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT
WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2021

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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, 2021. 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 \$5,961,115 (net position) for the fiscal year reported.
- Total revenues of \$1,147,498 exceeded total expenditures of \$800,508, which resulted in a current year surplus of \$346,990, compared to prior year surplus of \$367,804.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, net of related debt, of \$2,779,635 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 \$3,181,480.
- At the end of the current fiscal year, unreserved net position were 397% of total expenditures and 277% 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 \$5,961,115. The following table provides a summary of the District's net position:

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 3,472,098	\$ 3,253,060
Capital assets	2,779,635	2,641,315
Other assets	<u>8,159</u>	<u>10,547</u>
Total assets	<u>6,259,892</u>	<u>5,904,922</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	217,966	217,676
Long-term liabilities	<u>80,811</u>	<u>73,121</u>
Total liabilities	<u>298,777</u>	<u>290,797</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets, net of debt	2,779,635	2,641,315
Net position - unrestricted	<u>3,181,480</u>	<u>2,972,810</u>
Total net position	<u>\$ 5,961,115</u>	<u>\$ 5,614,125</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT
WELSH, LOUISIANA

Management's Discussion and Analysis

47% (52% for 2020) 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>2021</u>	<u>2020</u>
Operating Revenues	\$ 664,223	\$ 633,429
Non-operating Revenues	<u>483,275</u>	<u>490,102</u>
Total Revenues	1,147,498	1,123,531
Depreciation Expense	167,983	171,697
Other Operating Expenses	632,525	584,030
Non-operating Expenses	<u>-</u>	<u>-</u>
Total Expenses	<u>800,508</u>	<u>755,727</u>
Change in Net Position	346,990	367,804
Beginning Net Position	<u>5,614,125</u>	<u>5,246,321</u>
Ending Net Position	<u>\$ 5,961,115</u>	<u>\$ 5,614,125</u>

BUDGETARY HIGHLIGHTS

ENTERPRISE FUND

Actual revenues exceeded the budget by \$38,223 or 6%, mainly due to charges for services and ad valorem taxes. Budget expenses were less than actual by \$202,492 or 20%, mainly due to repairs and maintenance.

The budget was amended once 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 \$2,779,635. 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>2021</u>	<u>2020</u>
Nondepreciable assets:		
Land	\$ 28,285	\$ 28,285
Construction in progress	-	40,613
Depreciable assets:		
Plant & Distribution system	6,776,378	6,776,378
Furniture, fixtures and equipment	<u>451,952</u>	<u>451,952</u>
Total depreciable assets	7,228,330	6,881,414
Less accumulated depreciation	<u>4,476,980</u>	<u>4,308,997</u>
Book value-depreciable assets	<u>\$ 2,751,350</u>	<u>\$ 2,572,417</u>
Percentage depreciated	<u>62%</u>	<u>61%</u>
Book value-all assets	<u>\$ 2,779,635</u>	<u>\$ 2,641,315</u>

The only addition was a line boring project in Woodlawn.

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

September 3, 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, 2021, 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, 2021, 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, 2020 is presented for comparative, analytic purposes. We have previously audited the financial statements as of and for the year ended June 30, 2020 and have issued our report dated February 2, 2021. 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 September 3, 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.

Shagon, Cassidy: Hillery

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Net Position

June 30, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 3,203,551	\$ 2,992,829
Accounts receivable, net	57,423	56,883
Prepaid expenses	11,090	10,271
	<u>3,272,064</u>	<u>3,059,983</u>
Restricted Assets		
Customer deposits		
Cash	200,034	193,077
Total current assets	<u>3,472,098</u>	<u>3,253,060</u>
Property, plant and equipment		
Land	28,285	28,285
Construction in progress	-	40,613
Distribution system	6,776,378	6,429,462
Furniture, fixtures and equipment	69,017	69,017
Machinery and equipment	382,935	382,935
	<u>7,256,615</u>	<u>6,950,312</u>
Less accumulated depreciation	4,476,980	4,308,997
	<u>2,779,635</u>	<u>2,641,315</u>
Other assets		
Construction period interest, net	8,159	10,547
	<u>8,159</u>	<u>10,547</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,259,892</u>	<u>\$ 5,904,922</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, 2021

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current Liabilities		
Payable from current assets		
Accounts payable	\$ 26,347	\$ 27,198
Accrued liabilities	1,626	6,266
	<u>27,973</u>	<u>33,464</u>
Payable from restricted assets		
Customer deposits	189,993	184,212
Total Current Liabilities	<u>217,966</u>	<u>217,676</u>
Long-term liabilities		
Accrued compensated absences	80,811	73,121
	<u>298,777</u>	<u>290,797</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Investment in capital assets, net of related debt	2,779,635	2,641,315
Net position - Unrestricted	3,181,480	2,972,810
Total Net Position	<u>5,961,115</u>	<u>5,614,125</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 6,259,892</u>	<u>\$ 5,904,922</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, 2021

	2021	2020
OPERATING REVENUES		
Charges for services	\$ 623,087	\$ 599,193
Installations	19,250	17,150
Penalties and reconnect fees	21,886	17,086
TOTAL OPERATING REVENUES	664,223	633,429
OPERATING EXPENSES		
Advertising	538	439
Amortization	2,388	2,387
Auto mileage	878	743
Chemicals	31,026	30,528
Communications	6,104	5,946
Contract labor	170	-
Convention expense	355	-
Depreciation	167,983	171,697
Dues	7,193	4,005
Equipment rental	13,818	4,800
Fuel	10,777	8,176
Garbage service	372	318
Insurance - employees	45,255	46,635
Insurance - other	22,355	22,273
Meter reading services	25,301	24,836
Miscellaneous	4,966	4,401
Office	14,943	8,214
Per diem	8,550	9,600
Postage	3,773	6,356
Printing	929	848
Professional fees	8,500	10,500
Repairs and maintenance	55,031	26,604
Retirement	20,769	20,289
Salaries	220,175	216,847
Supplies	67,634	69,476
Taxes and licenses	16,256	15,952
Utilities	43,071	42,551
Water samples	1,398	1,306
TOTAL OPERATING EXPENSES	800,508	755,727
OPERATING PROFIT (LOSS)	(136,285)	(122,298)

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, 2021

	2021	2020
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	\$ 472,728	\$ 438,821
Interest income	9,273	46,554
Other income	1,274	4,727
	483,275	490,102
CHANGE IN NET POSITION	346,990	367,804
NET POSITION - BEGINNING	5,614,125	5,246,321
NET POSITION - ENDING	\$ 5,961,115	\$ 5,614,125

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Cash Flows

Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING REVENUES		
Received from customers	\$ 663,683	\$ 632,845
Payments for supplies	(408,582)	(343,808)
Payments for services	<u>(220,175)</u>	<u>(216,847)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	34,926	72,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	5,781	7,769
Proceeds from other income	1,274	4,727
Acquisition of fixed assets	(306,303)	(73,226)
Ad valorem taxes	<u>472,728</u>	<u>438,821</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	173,480	378,091
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>9,273</u>	<u>46,554</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	217,679	496,835
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,185,906</u>	<u>2,689,071</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,403,585</u>	<u>\$ 3,185,906</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, 2021

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit (loss)	\$ (136,285)	\$ (122,298)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Amortization	2,388	2,388
Depreciation	167,983	171,697
(Increase) decrease in:		
Accounts receivable	(540)	(586)
Prepaid expenses	(819)	(300)
Increase (decrease) in:		
Accounts payable	(851)	11,941
Accrued liabilities	(4,640)	186
Accrued compensated absences	7,690	9,162
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 34,926</u>	<u>\$ 72,190</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, 2021

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, 2021

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, 2021, the District has \$3,415,286 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, 2021

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 \$2,388 for the year ended June 30, 2021.

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, 2021

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, 2021, the District had an accrual for compensated absences of \$80,811.

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 \$3,403,585 which represents unrestricted amounts of \$3,203,551 and restricted amounts of \$200,034.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021

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 September 3, 2021, the date the financial statements were available to be issued.

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, 2021 taxes of 10.49 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 October 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, 2021

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, 2021 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	40,613	306,303	(346,916)	-
Plant & Distribution System	6,429,462	346,916	-	6,776,378
Furniture, Fixtures & Equipment	<u>451,952</u>	<u>-</u>	<u>-</u>	<u>451,952</u>
	6,950,312	<u>\$ 653,219</u>	<u>\$ (346,916)</u>	7,256,615
Less accumulated depreciation	<u>(4,308,997)</u>			<u>(4,476,980)</u>
Totals	<u>\$ 2,641,315</u>			<u>\$ 2,779,635</u>

Depreciation expense was \$167,983 for the year ended June 30, 2021.

The only addition placed in service was the Woodlawn Line Boring Project.

NOTE D - PER DIEM

Total per diem paid consisted of the following:

Benet Augustine	\$ 1,950
Billy Compton	1,800
Steve Lopez	1,950
John Reeves	1,950
Kevin Webb	<u>900</u>
	<u>\$ 8,550</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2021

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 \$212,485 and total payroll for covered employees was \$207,685. Total contributions made by the District were \$20,769. Participants are immediately fully vested.

NOTE G – CONTINGENCIES

As a result of the spread of the COVID-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.

REQUIRED SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 2021

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
OPERATING REVENUES				
Charges for services	\$ 590,000	\$ 590,000	\$ 623,087	\$ 33,087
Installations	16,000	16,000	19,250	3,250
Penalties and reconnect fees	20,000	20,000	21,886	1,886
TOTAL OPERATING REVENUES	626,000	626,000	664,223	38,223
OPERATING EXPENSES				
Advertising	1,000	1,000	538	462
Amortization	-	-	2,388	(2,388)
Auto mileage	1,000	1,000	878	122
Bad debt expense	1,000	1,000	-	1,000
Bank charges	1,000	1,000	-	1,000
Chemicals	37,000	37,000	31,026	5,974
Communication	6,000	6,000	6,104	(104)
Contract labor	5,000	5,000	170	4,830
Convention	2,000	2,000	355	1,645
Depreciation	-	-	167,983	(167,983)
Dues	10,000	10,000	7,193	2,807
Equipment rental	7,000	7,000	13,818	(6,818)
Fuel	13,600	15,600	10,777	4,823
Garbage service	400	400	372	28
Insurance - employees	52,000	52,000	45,255	6,745
Insurance - other	29,000	29,000	22,355	6,645
Meter reading services	27,000	27,000	25,301	1,699
Miscellaneous	5,000	5,000	4,966	34
Office	7,000	7,000	14,943	(7,943)
Per diem	11,000	11,000	8,550	2,450
Postage	8,000	8,000	3,773	4,227
Printing	3,000	3,000	929	2,071
Professional fees	14,000	14,000	8,500	5,500
Repairs and maintenance	328,000	329,000	55,031	273,969
Retirement	25,000	25,000	20,769	4,231
Salaries	225,000	225,000	220,175	4,825
Supplies	100,000	100,000	67,634	32,366
Taxes and licenses	23,000	23,000	16,256	6,744
Utilities	54,000	54,000	43,071	10,929
Water samples	4,000	4,000	1,398	2,602
TOTAL OPERATING EXPENSES	1,000,000	1,003,000	800,508	202,492
OPERATING INCOME (LOSS)	(374,000)	(377,000)	(136,285)	240,715
NON-OPERATING REVENUES (EXPENSES)				
Ad valorem taxes (net)	429,000	429,000	472,728	43,728
Interest income	30,000	30,000	9,273	(20,727)
Other income	-	-	1,274	1,274
	459,000	459,000	483,275	24,275

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
CHANGE IN NET POSITION	\$ 85,000	\$ 82,000	\$ 346,990	\$ 264,990
NET POSITION - BEGINNING	5,614,125	5,614,125	5,614,125	-
NET POSITION - ENDING	<u>\$ 5,699,125</u>	<u>\$ 5,696,125</u>	<u>\$ 5,961,115</u>	<u>\$ 264,990</u>

OTHER INFORMATION

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 2021

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

September 3, 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, 2021, 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 September 3, 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.

Shagron, Candace: Hillery

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2021

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 #2021-001

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, 2021

4. Prior Year Findings

Finding #2020-001

Inadequate segregation of duties

Corrective Action Taken: None, repeat finding in 2021.