

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT
WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2014

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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, 2014. 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 \$3,882,931 (net position) for the fiscal year reported.
- Total revenues of \$979,721 exceeded total expenditures of \$697,824, which resulted in a current year surplus of \$281,897, compared to prior year surplus of \$307,111.
- Total net position are comprised of the following:
 - (1) Net investment in capital assets, net of related debt, of \$2,673,539 include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
 - (2) Net position - restricted for debt service of \$116,652.
 - (3) Net position - unrestricted net assets of \$1,092,740.
- At the end of the current fiscal year, unreserved net assets were 157% of total expenditures and 112% 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 \$3,882,931. The following table provides a summary of the District's net position:

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets	\$ 1,394,596	\$ 1,305,966
Capital assets	3,293,539	3,411,982
Other assets	<u>24,874</u>	<u>27,262</u>
Total assets	<u>4,713,009</u>	<u>4,475,210</u>
Deferred outflows of resources	-	-
Liabilities:		
Current liabilities	250,078	254,176
Long-term liabilities	<u>580,000</u>	<u>620,000</u>
Total liabilities	<u>830,078</u>	<u>874,176</u>
Deferred inflows of resources	-	-
Net position:		
Net investment in capital assets, net of debt	2,673,539	2,756,982
Net position - restricted	116,652	107,527
Net position - unrestricted	<u>1,092,740</u>	<u>736,525</u>
Total net position	<u>\$ 3,882,931</u>	<u>\$ 3,601,034</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT
WELSH, LOUISIANA

Management's Discussion and Analysis

69% (80% for 2013) 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>2014</u>	<u>2013</u>
Operating Revenues	\$ 549,906	\$ 551,301
Non-operating Revenues	<u>429,815</u>	<u>429,742</u>
Total Revenues	979,721	981,043
Depreciation Expense	205,213	189,191
Other Operating Expenses	464,514	455,747
Non-operating Expenses	<u>28,097</u>	<u>28,994</u>
Total Expenses	<u>697,824</u>	<u>673,932</u>
Change in Net Position	281,897	307,111
Beginning Net Position	<u>3,601,034</u>	<u>3,293,923</u>
Ending Net Position	<u>\$ 3,882,931</u>	<u>\$ 3,601,034</u>

BUDGETARY HIGHLIGHTS

ENTERPRISE FUND

Actual revenues exceeded the budget by \$86,721 or 10%, mainly due to ad valorem taxes and charges for services. Actual expenses were short the budget by \$195,176 or 14%, mainly due to depreciation and repairs and maintenance.

CAPITAL ASSETS

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2014, was \$3,293,539. 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>2014</u>	<u>2013</u>
Nondepreciable assets:		
Land	\$ 28,285	\$ 28,285
Depreciable assets:		
Plant & Distribution system	6,239,804	6,219,080
Furniture, fixtures and equipment	<u>344,548</u>	<u>278,502</u>
Total depreciable assets	6,584,352	6,497,582
Less accumulated depreciation	<u>3,319,098</u>	<u>3,113,885</u>
Book value-depreciable assets	<u>\$ 3,265,254</u>	<u>\$ 3,383,697</u>
Percentage depreciated	<u>50%</u>	<u>48%</u>
Book value-all assets	<u>\$ 3,293,539</u>	<u>\$ 3,411,982</u>

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT
WELSH, LOUISIANA

Management's Discussion and Analysis

This year's major capital additions included above were:

- Kubota Excavator \$ 47,345
- 24' X50' shed 20,724
- Hand held meter readers 5,746

Debt

The District had \$620,000 in revenue bonds outstanding at June 30, 2014. A summary of this debt is shown in the table below.

	<u>2014</u>	<u>2013</u>
Revenue bonds	<u>\$ 620,000</u>	<u>\$ 655,000</u>

During the year, the District retired \$35,000 of the outstanding debt balance. See Note D for additional information regarding long-term debt.

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 Shirley Hudson, Office Manager of Jefferson Davis Central Waterworks District.



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INDEPENDENT AUDITORS' REPORT

July 29, 2014

Board of Commissioners
Jefferson Davis Central Waterworks District
Welsh, Louisiana

Report on the Financial Statements

We have audited the accompanying 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, 2014, 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 Jefferson Davis Central Waterworks District as of June 30, 2014, 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 24 through 25 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2014 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.



JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Net Position

June 30, 2014

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 1,069,320	\$ 730,776
Accounts receivable, net	43,383	41,349
Prepaid expenses	15,942	13,146
	<u>1,128,645</u>	<u>785,271</u>
Restricted Assets		
Bond sinking fund		
Cash	20,857	16,961
Bond reserve fund		
Cash	83,015	82,190
Bond contingency fund		
Cash	19,624	15,460
Customer deposits		
Cash	142,455	136,084
	<u>265,951</u>	<u>250,695</u>
Total current assets	<u>1,394,596</u>	<u>1,035,966</u>
Property, plant and equipment		
Land	28,285	28,285
Distribution system	6,239,804	6,219,080
Furniture, fixtures and equipment	49,999	37,571
Machinery and equipment	294,549	240,931
	<u>6,612,637</u>	<u>6,525,867</u>
Less accumulated depreciation	<u>3,319,098</u>	<u>3,113,885</u>
	3,293,539	3,411,982
Other assets		
Construction period interest, net	24,874	27,262
	<u>24,874</u>	<u>27,262</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,713,009</u>	<u>\$ 4,475,210</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, 2014

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities		
Payable from current assets		
Accounts payable	\$ 59,271	\$ 68,693
Accrued liabilities	6,061	5,541
Other current liabilities	330	4,123
	<u>65,662</u>	<u>78,357</u>
Payable from restricted assets		
Current portion of revenue bonds	40,000	35,000
Accrued interest	6,844	7,084
Customer deposits	137,572	133,735
	<u>184,416</u>	<u>175,819</u>
Total Current Liabilities	250,078	254,176
Long-term liabilities		
Revenue bonds payable (net of current portion)	580,000	620,000
	<u>830,078</u>	<u>874,176</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Investment in capital assets, net of related debt	2,673,539	2,756,982
Net position - Restricted for debt service	116,652	107,527
Net position - Unrestricted	1,092,740	736,525
Total Net Position	<u>3,882,931</u>	<u>3,601,034</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,713,009</u>	<u>\$ 4,475,210</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, 2014

	2014	2013
OPERATING REVENUES		
Charges for services	\$ 492,994	\$ 482,706
Installations	16,600	16,400
Penalties and reconnect fees	31,117	29,261
Miscellaneous	9,195	22,934
TOTAL OPERATING REVENUES	549,906	551,301
OPERATING EXPENSES		
Advertising	460	983
Amortization	2,388	2,388
Auto mileage	3,600	3,600
Chemicals	19,060	18,707
Communications	5,017	4,453
Contract labor	-	940
Convention expense	-	659
Depreciation	205,213	189,191
Dues	3,661	5,342
Equipment rental	-	1,855
Fuel	8,923	10,160
Garbage service	276	276
Insurance - employees	32,107	30,567
Insurance - other	24,422	26,043
Meter reading services	17,975	17,555
Miscellaneous	1,316	2,982
Office	1,368	1,919
Per diem	6,400	5,700
Postage	5,130	5,211
Printing	43	1,840
Professional fees	4,500	5,000
Repairs and maintenance	41,803	36,423
Retirement	9,503	9,053
Salaries	203,462	190,062
Supplies	34,395	34,535
Taxes and licenses	15,434	14,543
Utilities	22,066	23,831
Water samples	1,205	1,120
TOTAL OPERATING EXPENSES	669,727	644,938
OPERATING PROFIT (LOSS)	(119,821)	(93,637)

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, 2014

	<u>2014</u>	<u>2013</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	\$ 418,802	\$ 419,560
Interest income	11,013	10,182
Interest expense	<u>(28,097)</u>	<u>(28,994)</u>
	<u>401,718</u>	<u>400,748</u>
CHANGE IN NET POSITION	281,897	307,111
NET POSITION - BEGINNING	<u>3,601,034</u>	<u>3,293,923</u>
NET POSITION - ENDING	<u>\$ 3,882,931</u>	<u>\$ 3,601,034</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, 2014

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING REVENUES		
Received from customers	\$ 547,872	\$ 552,777
Payments for supplies	(274,395)	(261,055)
Payments for services	<u>(203,462)</u>	<u>(190,062)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	70,015	101,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from customers	3,837	4,343
Acquisition of fixed assets	(86,770)	(361,817)
Principal paid on bonds	(35,000)	(35,000)
Ad valorem taxes	418,802	419,560
Interest paid on revenue bonds	<u>(28,097)</u>	<u>(28,994)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	272,772	(1,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>11,013</u>	<u>10,182</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	353,800	109,934
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>981,471</u>	<u>871,537</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,335,271</u>	<u>\$ 981,471</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, 2014

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit (loss)	\$ (119,821)	\$ (93,637)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Amortization	2,388	2,388
Depreciation	205,213	189,191
(Increase) decrease in:		
Accounts receivable	(2,034)	1,476
Prepaid expenses	(2,796)	(574)
Increase (decrease) in:		
Accounts payable	(9,422)	2,207
Accrued liabilities	520	640
Accrued interest payable	(240)	(219)
Other current liabilities	(3,793)	188
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 70,015</u>	<u>\$ 101,660</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 28,338</u>	<u>\$ 29,213</u>

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

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2014

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. This criteria includes:

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, 2014

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, 2014, the District has \$1,342,898 in deposits (collected bank balances). These deposits are secured from risk by \$270,757 of federal deposit insurance and \$1,072,141 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014.

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, 2014

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, 2014, the District did not have an accrual for compensated absences.

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 \$1,335,271 which represents unrestricted amounts of \$1,069,320 and restricted amounts of \$265,951.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2014

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".

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 July 29, 2014, the date the financial statements were available to be issued.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2014 taxes of 9.26 mills were levied on property with assessed valuations totaling \$46,051,868 and were dedicated as follows:

General operations	9.26 mills
--------------------	------------

Total taxes levied were \$426,441.

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.

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	7 - 50 years
Furniture, fixtures and equipment	5 - 10 years

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE C - FIXED ASSETS - CONTINUED

A summary of changes in fixed assets for the year ended June 30, 2014 are as follows:

	Beginning of year	Additions	Deletions	End of year
Land	\$ 28,285	\$ -	\$ -	\$ 28,285
Plant & Distribution System	6,219,080	20,724	-	6,239,804
Furniture, Fixtures & Equipment	<u>278,502</u>	<u>66,046</u>	-	<u>344,548</u>
	6,525,867	<u>\$ 86,770</u>	<u>\$ -</u>	6,612,637
Less accumulated depreciation	<u>(3,113,885)</u>			<u>(3,319,098)</u>
Totals	<u>\$ 3,411,982</u>			<u>\$ 3,293,539</u>

Depreciation expense was \$205,213 for the year ended June 30, 2014.

NOTE D – LONG-TERM DEBT

The following is a summary of bond transactions of the District for the year ended June 30, 2014:

Bonds payable, June 30, 2013	\$ 655,000
Bonds retired	<u>(35,000)</u>
Bonds payable June 30, 2014	<u>\$ 620,000</u>

Bonds payable at June 30, 2014 are comprised of the following individual issue:

\$750,000 revenue bonds dated January 21, 2010 due in annual installments of \$40,000 - \$80,000 through April 1, 2025, interest variable at 2.0% - 5.5%	\$ 620,000
Less currently payable	<u>40,000</u>
Total Long-Term Debt	<u>\$ 580,000</u>

The annual requirements to amortize all debts outstanding, including interest of \$197,627, as of June 30, 2014 are as follows:

Year Ending June 30,	
2015	\$ 67,375
2016	71,175
2017	69,713
2018	68,138
2019	71,450
Thereafter	469,776

The revenue bonds are to be retired from revenues derived from the operation of the District.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE E - COMPONENTS OF RESTRICTED ASSETS

	Revenue Bond <u>Sinking</u>	Revenue Bond <u>Reserve</u>	Revenue Bond <u>Contingency</u>	Customer <u>Deposits</u>	<u>Totals</u>
Cash	\$ 20,857	\$ 83,015	\$ 19,624	\$ 142,455	\$ 265,951

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 renewals and replacements.

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

Restricted assets: revenue bond sinking, reserve and contingency funds	\$ 123,496
Less: Accrued interest, payable from restricted assets	<u>6,844</u>
Restricted Net Position	<u>\$ 116,652</u>

NOTE F - PER DIEM

Total per diem paid consisted of the following:

Benet Augustine	\$ 1,300
Billy Compton	1,300
Steve Lopez	1,300
John Reeves	1,300
Kevin Webb	<u>1,200</u>
	<u>\$ 6,400</u>

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

Notes to Financial Statements

June 30, 2014

NOTE H – 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 \$203,462 and total payroll for covered employees was \$203,462. Total contributions made by the District were \$9,503. Participants are immediately fully vested.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 458,000	\$ 492,994	\$ 34,994
Installations	10,000	16,600	6,600
Penalties and reconnect fees	27,000	31,117	4,117
Miscellaneous	-	9,195	9,195
TOTAL OPERATING REVENUES	<u>495,000</u>	<u>549,906</u>	<u>54,906</u>
OPERATING EXPENSES			
Advertising	2,000	460	1,540
Amortization	-	2,388	(2,388)
Auto mileage	-	3,600	(3,600)
Chemicals	30,000	19,060	10,940
Communication	6,000	5,017	983
Contract labor	3,000	-	3,000
Convention expense	1,000	-	1,000
Depreciation	269,800	205,213	64,587
Dues	13,500	3,661	9,839
Equipment rental	10,600	-	10,600
Fuel	19,000	8,923	10,077
Garbage service	1,000	276	724
Insurance - employees	36,000	32,107	3,893
Insurance - other	35,000	24,422	10,578
Meter reading services	21,000	17,975	3,025
Miscellaneous	5,000	1,316	3,684
Office	5,000	1,368	3,632
Per diem	7,000	6,400	600
Postage	7,000	5,130	1,870
Printing	3,000	43	2,957
Professional fees	7,000	4,500	2,500
Repairs and maintenance	63,000	41,803	21,197
Retirement	10,000	9,503	497
Salaries	203,500	203,462	38
Supplies	50,000	34,395	15,605
Taxes and licenses	15,600	15,434	166
Utilities	37,000	22,066	14,934
Water samples	3,000	1,205	1,795
TOTAL OPERATING EXPENSES	<u>864,000</u>	<u>669,727</u>	<u>194,273</u>
OPERATING INCOME (LOSS)	(369,000)	(119,821)	249,179
NON-OPERATING REVENUES (EXPENSES)			
Ad valorem taxes (net)	389,000	418,802	29,802
Interest income	9,000	11,013	2,013
Interest expenses	(29,000)	(28,097)	903
	<u>369,000</u>	<u>401,718</u>	<u>32,718</u>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

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

Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CHANGE IN NET POSITION	\$ -	\$ 281,897	\$ 281,897
NET POSITION - BEGINNING	<u>3,601,034</u>	<u>3,601,034</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 3,601,034</u>	<u>\$ 3,882,931</u>	<u>\$ 281,897</u>



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

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
JULIA W. PORTUS, C.P.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BRANEFF, C.P.A.

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*

July 29, 2014

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, 2014, 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 July 29, 2014.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 is required to be reported under *Government Auditing Standards*.

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.

Gragson, Casiday & Guillory

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2014

1. Summary of Auditors' Results:

Type of auditors' report issued: unqualified

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

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None