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**COMPONENT UNIT**

**FINANCIAL STATEMENTS**

**JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4**

**AS OF JUNE 30, 1990**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or treasurer, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Released Date: **DEC 10 1990**

**FREDERICK, MORTON, ROBERT & SCHULTHEISS**  
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# FREDERICK, NORTON, ROBERT & SCHULTHESS

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## UNQUALIFIED OPINION ON COMPROMISE UNIT FINANCIAL STATEMENTS

To the Board of Commissioners  
Jefferson Davis Parish Water District No. 4

We have audited the component unit financial statements of the Jefferson Davis Parish Water District No. 4, as of and for the year ended June 30, 1991, as listed in the accompanying table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Davis Parish Water District No. 4 as of June 30, 1991, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the component unit financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated October 24, 1991, on our consideration of the District's internal control over reporting and our test of its compliance with certain provisions of laws, contracts, and grants.

*Frederick W. Frederick, Carl M. Norton, James H. Nelson, Jr., William E. Schultness*

FREDERICK, NORTON, ROBERT & SCHULTHESS  
October 24, 1991

## JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

## Component Unit Balance Sheet

As of June 30, 1997 and 1996

## ASSETS

	1997	1996
<b>CURRENT ASSETS:</b>		
Cash - American Bank	\$ 63,623	\$ 26,490
Cash - American Bank (Special Fund)	0	41,214
Cash - Petty Cash	47	47
Total Cash	<u>63,670</u>	<u>67,741</u>
Accounts Receivable - Customers	21,686	21,960
Prepaid Insurance	2,797	2,889
TOTAL CURRENT ASSETS	<u>88,153</u>	<u>92,590</u>
<b>RESTRICTED ASSETS:</b>		
Water Revenue Fund and Interest Maturing Fund	118,268	73,317
Water Reserve Fund	32,218	27,714
Water Depreciation and Contingency Fund	48,588	40,159
TOTAL RESTRICTED ASSETS	<u>199,074</u>	<u>141,190</u>
<b>UTILITY PLANT IN SERVICE:</b>		
Water Wells	188,828	188,828
Main Plant	183,873	189,873
Filtration System	298,748	258,768
Water Lines	798,283	758,783
Office Equipment	4,162	6,157
Machinery and Equipment	41,671	35,999
Total cost of Depreciable Utility Plant in Service	<u>1,419,565</u>	<u>1,438,308</u>
Less: Depreciation Allowance	<u>383,271</u>	<u>388,783</u>
Net Depreciable Utility Plant in Service	<u>1,036,294</u>	<u>1,049,525</u>
Land and Land Rights	2,588	2,388
TOTAL UTILITY PLANT IN SERVICE	<u>1,038,882</u>	<u>1,051,913</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,926,044</u></b>	<b>\$ <u>1,244,693</u></b>

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

EFFERSON DAVIS PARISH WATER DISTRICT NO. 1

Component Unit Balance Sheet  
As of June 30, 1997 and 1996

LIABILITIES, RESERVES, CONTRIBUTIONS, AND RETAINED EARNINGS

	1997	1996
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	2,000	1,017
Salaries Payable	3,388	3,388
Sales Tax Payable	396	440
Payroll Tax Payable	648	170
Interest Payable	13,028	13,028
Notes Payable No. 1 - FIDRA (due in one year)	6,000	6,000
Notes Payable No. 2 - FIDRA (due in one year)	1,687	1,450
<b>TOTAL CURRENT LIABILITIES</b>	<u>32,047</u>	<u>36,203</u>
<b>OTHER LIABILITIES:</b>		
Notes Payable No. 1 - FIDRA (long-term)	428,000	428,000
Notes Payable No. 2 - FIDRA (long-term)	148,317	152,288
Customer Deposits Payable	21,483	24,690
<b>TOTAL OTHER LIABILITIES</b>	<u>600,800</u>	<u>604,978</u>
<b>TOTAL LIABILITIES</b>	<u>632,847</u>	<u>641,181</u>
<b>RESERVES:</b>		
Reserve Water Revenue Bond and Interest Sinking Fund	73,314	73,317
Reserve Water Reserve Fund	36,448	27,374
Reserve Water Depreciation and Contingency Fund	47,579	48,158
<b>TOTAL RESERVE</b>	<u>157,341</u>	<u>148,849</u>
<b>CONTRIBUTIONS:</b>		
Federal Farmers Home Mortgage - Grant	303,080	348,548
Less: Allocation of Grant for year coded 6/30/90 and 6/30/96	(84,158)	(31,587)
	<u>218,922</u>	<u>316,961</u>
<b>RETAINED EARNINGS:</b>	<u>41,368</u>	<u>8,927</u>
<b>TOTAL LIABILITIES, RESERVES, CONTRIBUTIONS, AND RETAINED EARNINGS</b>	<u>\$ 1,074,544</u>	<u>\$ 1,146,084</u>

The accompanying notes are an integral part of these component unit financial statements

SEWERAGE WATER PURCHASE WATER DISTRICT NO. 4

Compared With Statement of Revenues, Expenses and Changes in Assets/Liabilities - Budget and Actual  
 Fourth Year Billed (Jan. No. 1997 and 1998)

	1997		1998		VARIANCE	
	ACTUAL	BUDGET	1998	1997	1998	1997
<b>OPERATING REVENUES</b>						
Water Sales Tax	89,721	89,721	11,711	89,420	1,291	1,291
Interest on Bonds	1,728	1,728	303	1,425	303	303
Transfer from Sewerage	1,000	1,000	0	1,000	0	0
Transfer from Water	1,000	1,000	0	1,000	0	0
<b>TOTAL OPERATING REVENUES</b>	<u>93,449</u>	<u>93,449</u>	<u>12,014</u>	<u>91,435</u>	<u>2,004</u>	<u>2,004</u>
<b>OPERATING EXPENSES</b>						
Contract	1,228	1,228	822	406	406	0
Contract Labor	1,795	1,795	1,021	774	774	0
Contract Materials	4,238	4,238	2,242	1,996	246	246
Depreciation	1,000	1,000	0	1,000	0	0
Electricity	1,795	1,795	1,142	653	653	0
Insurance	1,000	1,000	1,274	726	274	274
Interest	1,000	1,000	95	905	5	5
Land Lease	1,000	1,000	0	1,000	0	0
Printing and Copy	1,000	1,000	0	1,000	0	0
Public Works	1,000	1,000	0	1,000	0	0
Public Utilities	1,000	1,000	0	1,000	0	0
Salaries	1,000	1,000	0	1,000	0	0
Telephone	1,000	1,000	0	1,000	0	0
Travel	1,000	1,000	0	1,000	0	0
Utilities	1,000	1,000	0	1,000	0	0
Water	1,000	1,000	0	1,000	0	0
Waste	1,000	1,000	0	1,000	0	0
<b>TOTAL OPERATING EXPENSES</b>	<u>13,000</u>	<u>13,000</u>	<u>3,284</u>	<u>9,716</u>	<u>3,284</u>	<u>3,284</u>
<b>OPERATING INCOME</b>	<u>80,449</u>	<u>80,449</u>	<u>8,730</u>	<u>81,719</u>	<u>1,291</u>	<u>1,291</u>
<b>OTHER INCOME (EXPENSES)</b>						
Investment	1,000	1,000	0	1,000	0	0
Interest Income	1,000	1,000	0	1,000	0	0
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>
<b>NET INCOME</b>	<u>82,449</u>	<u>82,449</u>	<u>8,730</u>	<u>83,719</u>	<u>1,291</u>	<u>1,291</u>
Net Investment	1,000	1,000	0	1,000	0	0
Net Interest	1,000	1,000	0	1,000	0	0
<b>TOTAL NET INCOME (EXPENSES)</b>	<u>83,449</u>	<u>83,449</u>	<u>8,730</u>	<u>84,719</u>	<u>1,291</u>	<u>1,291</u>
<b>PERMANENT RESERVE (INCREASE) DECREASE</b>						
Net Investment	1,000	1,000	0	1,000	0	0
Net Interest	1,000	1,000	0	1,000	0	0
<b>TOTAL PERMANENT RESERVE (INCREASE) DECREASE</b>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>81,449</u>	<u>81,449</u>	<u>8,730</u>	<u>82,719</u>	<u>1,291</u>	<u>1,291</u>
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>81,449</u>	<u>81,449</u>	<u>8,730</u>	<u>82,719</u>	<u>1,291</u>	<u>1,291</u>

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

**JEFFERSON PARISH WATER DISTRICT NO. 4**

Component Unit Statement of Cash Flows  
For the Year Ended June 30, 1995 and 1994

	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 47,648	\$ 59,800
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	40,589	31,899
Decrease (increase) in accounts receivable	(140)	(2,814)
Decrease (increase) in prepaid expenses	143	880
Increase (Decrease) in current payables	1,000	(2,048)
Increase (Decrease) in accrued expenses	0	(2,400)
Increase (Decrease) in other liabilities	4,980	1,050
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>94,190</u>	<u>86,367</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments for capital acquisitions	(8,214)	(21,299)
Principal repayments	(8,896)	0
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	<u>(17,110)</u>	<u>(21,299)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest earned on investments	4,360	4,051
Interest paid	(44,807)	(43,804)
<b>NET CASH USED FOR INVESTING ACTIVITIES:</b>	<u>(40,447)</u>	<u>(39,753)</u>
<b>NET CASH INCREASE (DECREASE) FOR YEAR</b>	36,733	27,315
Cash and cash equivalents at beginning of year	704,804	188,086
Cash and cash equivalents at end of year	\$ <u>741,537</u>	\$ <u>215,401</u>

**SUPPLEMENTAL DISCLOSURES**

- Accounting Policy Note: Cash Equivalents - The District considers only cash and cash equivalents.
- State Note: During the year the District paid interest of \$ 69,863.
- Income Tax Note: The District is not subject to federal and state income taxes, due to being a political subdivision of the State of Louisiana, Parish of Jefferson Parish.
- Acquisition Note: The District had additions to utility plant in service and machinery and equipment of \$ 2,794 and \$ 1,476, respectively.

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

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
AS OF JUNE 30, 1986

**NATURE OF BUSINESS**

As provided by Louisiana Revised Statute (R.S.) 15:0112 the Jefferson Davis Parish Water District No. 4 is governed by five commissioners. These five commissioners are collectively referred to as the Water Commissioners and are appointed by the Jefferson Davis Parish Police Jury. The Jefferson Davis Parish Water District No. 4 is a subdivision of the state and may issue bonds and levy taxes in accordance with Article 6, Section 20 of the Louisiana Constitution of 1974. The Water District was created under the authority of R.S. 15:0111 and was established to establish, acquire, construct, improve, extend and maintain within its political subdivisions a Water system. At present the district supplies water service to 484 residential and 27 commercial customers.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

GAAP Codification Section 2180 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the police jury is determined on the basis of the following criteria:

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

Because the Police Jury appoints the governing board and because of the scope of public services, Jefferson Davis Parish Water District No. 4 was determined to be a component unit of the Jefferson Davis Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the Water District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

**B. Fund Accounting**

The accounts of the Water District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenses. Revenues are accounted for in three individual funds based upon the purpose for which they are to be spent and the means by which operating activities are controlled. The fund presented in the component unit financial statements is described as follows:

**1. Proprietary Fund Type**

A Proprietary Fund is used to account for governmental activities conducted where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges (Enterprise Fund).

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is accounted for on a flow of economic resources measurement focus.



With this measurement basis, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital (if any) and retained earnings components. Proprietary fund type operating statements present increases and decreases in net total assets. The normal basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

#### **1. Revenues**

Water distribution fees are assessed on or about the 10th of each month, become due on the first of the following month and are delinquent on the 10th of that month. A late fee of 10% is assessed on water distribution fees that are not paid by the 10th of the month in which they become delinquent and a discount fee of \$ 10.00 is assessed if the customer still has not paid by the 10th of the following month. An installation fee is charged for customer reporting new services and final fee ranges from \$ 140.00 to \$ 200.00, depending on the amount of line and valves needed. Interest income represents amounts earned on certificates of deposit and savings accounts invested with financial institutions. Interest earned on certificates of deposit is recorded when the certificate matures and/or when interest is available. Income on savings accounts is recorded when received. Intergovernmental revenue is recorded when received.

#### **2. Expenditures**

Expenses are generally recognized under the accrual basis of accounting. Exceptions to this general rule include principle and interest on long-term debt which is recognized at year end.

#### **D. Fixed Assets and Long-term Liabilities**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement basis. Property and equipment of Jefferson Davis Parish Water District No. 4 are recorded at cost. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. At year end, the construction account is adjusted to other fixed assets accounts: water works, main plant, filtration system, and water lines. All fixed assets are valued at history of cost or estimated historical cost if actual cost is not available. Depreciated fixed assets are stated at their estimated fair market value on the date desired.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement basis, and all assets and all liabilities (whether current or non-current) associated with the Water district's activities are included on its balance sheet. The Water reported fund equity (net total assets) is segregated into reserves, contributions and retained earnings components. Proprietary fund type operating statements present increases (revenue) and decreases (expense) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against the Water district's operations. Accumulated depreciation is reported on the proprietary fund balance sheet.

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

Distribution, Treatment, and Filtering Facilities	12 to 50 years
Major Equipment and Facilities	30 years
Minor Equipment and Facilities	10 years

The long-term liability, financed through the government, are accounted for in the other liability series-account group until the year in which water services are rendered. At that time the portion of water payable that becomes due is allocated to the current liabilities account group.

**E. Restricted Assets**

Certain asset accounts are restricted as fund reserve, bond contingency, and customer deposits.

**F. Investments**

Investments are stated at cost or amortized cost, which approximates market.

**G. Accumulated Unpaid Vacation Pay**

The Water district has two employees and these employees do not accrue vacation pay.

**H. Bad Debt**

The Water district uses the direct write off-of accounts receivable method to record bad debts expense for the year. Under this method, only when an account is deemed uncollectible is an expense taken.

**I. Reserves**

The water district's reserve accounts are used to indicate that a portion of the fund balance is legally segregated for a specific future use. As of June 30, 1997 the district had reserves as required by PS&A.

**2. RESTRICTED ASSETS**

Restricted assets were applicable to the following at June 30, 1996:

Investment fund and interest	\$	118,209
Reserve Fund		22,219
Depreciation and Contingency		24,000
Total	\$	<u>264,428</u>

**3. CASH AND CASH EQUIVALENTS**

For reporting purposes, cash and cash equivalents include demand accounts, savings accounts and certificates of deposit (if applicable). Under state law the Water district may deposit funds in one of the chartered banks within the parish where the district is organized. At June 30, 1997 the Water district had cash and cash equivalents totaling \$ 282,318 as follows:

Cash on Hand	\$	49
Demand Deposits		60,413
Savings Accounts		221,856
Total	\$	<u>282,318</u>

These deposits are stated at cost, which approximates market value. 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. These pledged securities with market value equal to the district's deposits less the federal deposit insurance are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. All deposits are either covered by a sufficient amount of federal deposit insurance or collateralized by pledged securities held by a custodial bank. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana R.S. 30:1129 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the police jury that the fiscal agent has failed to pay deposited funds upon demand. All cash and cash equivalents are insured up to \$ 100,000 by the Federal Deposit Insurance Corporation (FDIC).

#### 4. CREDIT RISK

There is a chance that a government unit will not be able to recover amounts invested, not be able to withdraw funds from financial institutions, or not recover securities or collateral held by another party. The district lowers this credit risk on its deposits as described in note 3.

The risk of material losses due to failure to collect accounts receivable is relatively low due to the large number of relatively low customer accounts receivable. The district also has discount procedures for delinquent accounts which also lower the credit risk on customer accounts receivable.

#### 5. GENERAL LONG-TERM DEBT

The Water district obtained loan loans from the Farmers Home Administration (FmHA) in the amounts of \$ 681,000 and \$ 160,000 in 1987 and 1991, respectively. Long-term debt payable at June 30, 1997 is \$ 735,844 and is composed of the following:

Payable at June 30	Date of Issue	Original Amount	Interest Rate	Final Maturity Date	Interest to Maturity	Principal Outstanding
1997	Feb. 11, 1987	\$ 681,000	1.00 %	Feb. 11, 2017	\$ 702,207	\$ 681,000
1997	July 10, 1991	\$ 160,000	1.00 %	Feb. 11, 2021	\$ 20,637	\$ 160,000

The annual requirements to amortize all debt outstanding at June 30, 1997, for the next five years are as follows:

Year ending June 30,	
1998	\$ 21,213
1999	21,963
2000	22,521
2001	23,140
2002	24,670

#### 6. COMPENSATION OF COMMISSIONERS

As provided by Louisiana R.S. 33:5819, the Water commissioners receive per diem for each board meeting they attend as follows:

President	\$ 43
All Other Commissioners	\$ 43

#### 7. OFF BALANCE SHEET RISK

The Water district is concentrated within a relatively small geographic area located in southwest Louisiana. The concentration of assets within a small area increases the chance of having a material loss of assets due to a sudden unforeseen occurrence. The Water district carries commercial insurance to reduce the amount of risk to assets.

#### 8. CURRENT BATES AND ACCOUNTS RECEIVABLE

At present the district charges residential customers \$14 for the first 1,000 gallons of water used and \$ 1.60 for each additional 1,000 gallons used. Commercial accounts are charged \$ 2.28 for the first 10,000 gallons of water used and \$ 1.68 each additional 1,000 gallons used.

#### AGED RECEIVABLES

Days	0 - 30	\$ 15,480
	30 - 60	827
	Over 60	1,346

# FREDERICK, NORTON, ROBERT & SCHULTHESS

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#### Board of Commissioners

Jefferson Davis Parish Water District No. 4

Our report on our audit of the component unit financial statements of the Jefferson Davis Parish Water District No. 4 for the year ended June 30, 1997 appears on page one. That audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Frederick, Norton, Robert & Schultness

October 24, 1997

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 6

Schedule of Insurance in Force  
As of June 30, 1997

Company	From	To	Policy#	Amount	Coverage
Western Surety Company	7-1-96	7-1-98	20-00428	25,000	Fidelity Bond
Allstate Insurance Company	6-1-97	6-1-98	40-012011	200,000	Boiler Damage
Marshall County Company	1-1-97	1-1-98	C10-008-0171	1,000,000	General Liability
Continental United States	1-1-97	1-1-98	20-00010	500,000,000	Worker's Compensation

The above information was determined by examination of insurance policies and insurance limitations and through discussion with management. We do not express an opinion on the adequacy of the insurance coverage.

## JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Schedule of Per Diem Paid  
For the Year Ended June 30, 1997

Per Diem Recipient	Rated Service	Curtis Webb	Frank Dennis	Charles Dennis	Blaine O'Connor
Jul. 1996	40	40	40	40	40
Aug.	40	40	40	40	40
Sep.	40	40	40	40	40
Oct.	80	80	40	40	80
Nov.	40	40	40	40	40
Dec.	40	40	40	40	40
Jan. 1997	40	40	40	40	40
Feb.	40	40	40	40	40
Mar.	40	40	40	40	40
Apr.	40	40	40	40	40
May	80	80	40	40	80
Jun.	40	40	40	40	40

#### ADDITIONAL REPORTS

# FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners  
Jefferson Davis Parish Water District No. 4

We have audited the component unit financial statements of Jefferson Davis Parish Water District No. 4 as of and for the year ended June 30, 1997, and have issued our report thereon dated October 24, 1997. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Jefferson Davis Parish Water District No. 4'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. We also noted certain immaterial instances of noncompliance that we have reported to management of Jefferson Davis Parish Water District No. 4 in a separate letter dated October 24, 1997.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson Davis Parish Water District No. 4'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson Davis Parish Water District No. 4's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.



**Reportable Condition:**

The limited number of personnel involved in the accounting system limits the segregation of duties consistent with appropriate control objectives. As the current number of employees it is impossible to implement the proposed segregation of duties consistent with appropriate control objectives. Management has determined that the hiring of additional personnel to accomplish the desired segregation of duties is not prohibitive.

A material weakness is a reportable 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 accounts that would be 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions we also considered to be material weaknesses as defined above. However, the lack of segregation of duties, noted above, is a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Jefferson Davis Parish Water District, No. 4, for the year ended June 30, 1997.

This report is intended for the information of the Board of Commissioners, Management and the Legislative Auditor. This restriction is not intended to limit the distribution of the report, which is a matter of public record.



Frederick, Horton, Robert & Schallheim

October 24, 1997

# FREDERICK, NORTON, ROBERT & SCHULTHESS

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## Board of Commissioners Jefferson Davis Parish Water District No. 4

We have audited the compliance and financial statements of the Jefferson Davis Parish Water District No. 4 for the year ended June 30, 1997, and have issued our report thereon dated October 24, 1997. During our audit we performed certain test of the Jefferson Davis Parish Water District No. 4's compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did become aware of certain nonmaterial instances of noncompliance as follows:

### Condition:

During the audit period two individuals who were members of a Commissioner's immediate family were employed by the District for a short period of time. The total amount paid was \$ 187.56.

### Action Required or Taken:

Immediately upon recognition of this violation of law the board terminated the individuals involved.

### Recommendation:

We recommend that a list of current managers and commissioners along with immediate family members be maintained and reviewed prior to employment or engagement of individuals to do work for or supply goods to the District.

### Condition:

Parish requires that the District maintain Fidelity Bond Coverage in an amount equal to their annual line installations. The District's Fidelity Bond Coverage was below the required amount.

### Action Required or Taken:

Immediately upon notification of this condition the manager contacted the insurer's agent requesting increased coverage.

### Recommendation:

We recommend that the Board of Commissioners review the District's insurance coverage annually.

**Condition:**

A copy of the annual audit report was not sent to USDA Rural Development by the 90 day reporting requirement.

**Action Required or Taken:**

Upon notification the District sent the required reports.

**Recommendation:**

Agencies requiring copies of the audit should be sent copies immediately upon receipt and approval of the annual audit.

This information is intended solely for the use of the Board of Commissioners, and Management of Jefferson Parish Water District No. 4 and should not be used for any other purpose. However, this letter is a matter of public record, and its distribution is not limited.

Sincerely,



Frederick, Norton, Robert & Schulzberg

October 14, 1997