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COMPONENT UNIT
FINANCIAL STATEMENTS
JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4
AS OF JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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.

Release Date OCT 23 1998

FREDERICK, NORTON, ROBERT & SCHULTHESS
Certified Public Accountants
(A Professional Corporation)
345 East Academy Avenue - Post Office Drawer 1429
Jennings, Louisiana 70546

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FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS
(A PROFESSIONAL CORPORATION)

*Ronald W. Frederick, CPA
Carl W. Norton, CPA
James R. Robert, Jr., CPA
Melvin R. Schulthess, CPA*

345 EAST ACADEMY AVENUE
POST OFFICE DRAWER 1429
JENNINGS, LOUISIANA 70546

(318) 824-2395 (318) 824-8028
(318) 824-8080 FAX (318) 824-8082

Members:

*American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants*

UNQUALIFIED OPINION ON COMPONENT 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, 1998, 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 statement 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, 1998, 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 September 25, 1998, 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, Norton, Robert & Schulthess

FREDERICK, NORTON, ROBERT & SCHULTHESS
September 25, 1998

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Component Unit Balance Sheet
As of June 30, 1998 and 1997

ASSETS

	<u>1998</u>	<u>1997</u>
CURRENT ASSETS:		
Cash - American Bank	\$ 60,345	\$ 63,423
Cash - Jeff Davis Certificate of Deposit	50,000	0
Cash - Petty Cash	47	47
Total Cash	<u>110,392</u>	<u>63,470</u>
Accounts Receivable - Customers	23,511	21,606
Prepaid Insurance	2,755	2,737
TOTAL CURRENT ASSETS	<u>136,658</u>	<u>87,813</u>
RESTRICTED ASSETS:		
Water Revenue Bond and Interest Sinking Fund	117,089	118,269
Water Reserve Fund	37,617	32,219
Water Depreciation and Contingency Fund	56,816	48,580
TOTAL RESTRICTED ASSETS	<u>211,522</u>	<u>199,068</u>
UTILITY PLANT IN SERVICE:		
Water Wells	198,859	198,859
Main Plant	195,875	195,875
Filtration System	247,333	238,768
Water Lines	752,381	739,783
Office Equipment	4,392	4,392
Machinery and Equipment	41,477	41,477
Total cost of Depreciable Utility Plant in Service	<u>1,440,317</u>	<u>1,419,154</u>
Less: Depreciation Allowance	376,537	335,271
Net Depreciable Utility Plant in Service	<u>1,063,780</u>	<u>1,083,883</u>
Land and Land Rights	3,580	3,580
TOTAL UTILITY PLANT IN SERVICE	<u>1,067,360</u>	<u>1,087,463</u>
TOTAL ASSETS	<u>\$ 1,415,540</u>	<u>\$ 1,374,344</u>

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

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Component Unit Balance Sheet
As of June 30, 1998 and 1997

LIABILITIES, RESERVES, CONTRIBUTIONS, AND RETAINED EARNINGS

	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,608	\$ 2,067
Salaries Payable	3,375	3,260
Sales Tax Payable	0	396
Payroll Tax Payable	402	1,040
Interest Payable	17,583	17,658
Notes Payable No. 1 - FmHA (due in one year)	7,000	6,000
Notes Payable No. 2 - FmHA (due in one year)	1,798	1,667
TOTAL CURRENT LIABILITIES	<u>31,766</u>	<u>32,088</u>
OTHER LIABILITIES:		
Notes Payable No. 1 - FmHA (less current)	613,000	620,000
Notes Payable No. 2 - FmHA (less current)	146,960	149,317
Customer Deposits Payable	61,853	57,463
TOTAL OTHER LIABILITIES	<u>821,813</u>	<u>826,780</u>
TOTAL LIABILITIES	<u>853,579</u>	<u>858,868</u>
RESERVES:		
Reserve Water Revenue Bond and Interest Sinking Fund	73,000	73,164
Reserve Water Reserve Fund	30,448	30,448
Reserve Water Depreciation and Contingency Fund	53,399	47,579
TOTAL RESERVE	<u>156,847</u>	<u>151,191</u>
CONTRIBUTIONS:		
Federal Farmers Home Mortgage - Grant	320,917	335,053
Less: Allocation of Grant for year ended 6/30/98 and 6/30/97	14,160	14,136
	<u>306,757</u>	<u>320,917</u>
RETAINED EARNINGS:	<u>98,357</u>	<u>43,368</u>
TOTAL LIABILITIES, RESERVES, CONTRIBUTIONS, AND RETAINED EARNINGS	\$ <u>1,415,540</u>	\$ <u>1,374,344</u>

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

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Component Unit Statement of Revenues, Expenses and Changes in Retained Earnings - Budget and Actual
For the Year Ended June 30, 1998 and 1997

	1998			1997		
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES:						
Sales of Water	\$ 220,731	\$ 210,000	\$ 10,731	\$ 207,755	\$ 192,000	\$ 15,755
Installation Fees	10,035	7,800	2,235	7,447	7,800	(353)
Penalties and Reconnection Fees	8,484	8,400	84	8,646	8,400	246
TOTAL OPERATING REVENUES	<u>239,250</u>	<u>226,200</u>	<u>13,050</u>	<u>223,848</u>	<u>208,200</u>	<u>15,648</u>
OPERATING EXPENSES:						
Chemicals	13,156	12,000	(1,156)	11,232	10,800	(432)
Contract Labor	2,685	2,580	(105)	1,853	1,750	(103)
Communications	2,619	2,700	81	2,707	2,500	(207)
Depreciation	41,266	17,376	(23,890)	40,589	18,162	(22,427)
Hauling	1,404	2,496	1,092	2,499	3,300	801
Insurance	3,227	6,000	2,773	3,788	7,650	3,862
Installations	2,486	14,000	11,514	3,854	1,650	(2,204)
Land Lease	200	200	0	200	200	0
Meeting - Per Diem	2,520	3,600	1,080	2,790	2,700	(90)
Office Rent	4,500	4,500	0	4,500	4,500	0
Office Expense	1,191	1,900	709	2,765	1,200	(1,565)
Payroll Taxes	2,393	11,403	9,010	3,880	3,500	(380)
Postage	1,799	2,100	301	1,942	2,000	58
Professional Fees	1,884	2,500	616	2,014	2,500	486
System Supplies	10,121	11,000	879	7,481	11,000	3,519
Repairs	6,546	10,000	3,454	8,615	10,000	1,385
Salaries	39,810	40,000	190	39,120	40,000	880
Travel	6,762	7,680	918	6,647	7,700	1,053
Utilities	13,117	12,600	(517)	10,324	13,200	2,876
TOTAL OPERATING EXPENSES	<u>157,686</u>	<u>164,635</u>	<u>6,949</u>	<u>156,800</u>	<u>144,312</u>	<u>(12,488)</u>
OPERATING INCOME	<u>81,564</u>	<u>61,565</u>	<u>19,999</u>	<u>67,048</u>	<u>63,888</u>	<u>3,160</u>
OTHER INCOME (EXPENSES):						
Interest Earnings	9,935	8,000	1,935	6,260	3,200	3,060
Interest Expense	(45,014)	(45,648)	634	(44,862)	(44,862)	0
TOTAL OTHER INCOME (EXPENSE)	<u>(35,079)</u>	<u>(37,648)</u>	<u>2,569</u>	<u>(38,602)</u>	<u>(41,662)</u>	<u>3,060</u>
NET INCOME	<u>46,485</u>			<u>28,446</u>		
Add: Grant depreciation allocation during year	14,160			14,136		
Less: Increase in reserves during year	(5,656)			(8,141)		
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>54,989</u>			<u>34,441</u>		
RETAINED EARNINGS - BEGINNING OF YEAR	<u>43,368</u>			<u>8,927</u>		
RETAINED EARNINGS - END OF YEAR	<u>\$ 98,357</u>			<u>\$ 43,368</u>		

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

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Component Unit Statement of Cash Flows
For the Year Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 81,564	\$ 67,048
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	41,266	40,589
Decrease (Increase) in accounts receivable	(1,905)	(44)
Decrease (Increase) in prepaid expenses	(18)	143
Increase (Decrease) in current payables	(459)	1,030
Increase (Decrease) in accrued expenses	(994)	0
Increase (Decrease) in other liabilities	4,390	4,590
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>123,844</u>	<u>113,356</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	<u>0</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for capital acquisitions	(21,163)	(8,214)
Principal repayments	(8,226)	(8,806)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(29,389)</u>	<u>(17,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	9,935	6,260
Interest paid	(45,014)	(44,862)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(35,079)</u>	<u>(38,602)</u>
NET CASH INCREASE (DECREASE) FOR YEAR	59,376	57,734
Cash and cash equivalents at beginning of year	<u>262,538</u>	<u>204,804</u>
Cash and cash equivalents at end of year	\$ <u><u>321,914</u></u>	\$ <u><u>262,538</u></u>

SUPPLEMENTAL DISCLOSURES:

1. Accounting Policy Note: Cash Equivalents - The District considers only cash to be cash and cash equivalents.
2. Debt Note: During the year the District paid interest of \$ 45,089.
3. 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 Davis.
4. Acquisition Note: During 1998 and 1997 the District had additions to utility plant in service and machinery and equipment of \$ 21,163 and \$ 8,214, respectfully.

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, 1998

NATURE OF BUSINESS

As provided by Louisiana Revised Statute (R.S.) 33:3812 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 30 of the Louisiana Constitution of 1974. The Water district was created under the authority of R.S. 33:3811 and was established to, establish, acquire, construct, improve, extend and maintain within its political subdivision a Water system. At present the district supplies water service to 721 residential and 27 commercial customers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

GASB Codification Section 2100 established criteria for determining the government 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 service

Because the Police Jury appoints the governing board and because of the scope of public service, 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 these individual funds based upon the purpose for which they are to be spent and the means by which spending 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 focus, 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 accrual 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 20th of each month, become due on the first of the following month and are delinquent on the 15th of that month. A late fee of 10% is assessed on water distribution fees that are not paid by the 15th of the month in which they become delinquent and a disconnect 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 customers requesting new service and these fees range 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. Interest 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 principal 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 focus. 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 wells, main plant, filtration system, and water lines. All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus, 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 (revenues) and decreases (expenses) 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	20 years
Minor Equipment and Facilities	10 years

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

E. Restricted Assets

Certain asset accounts are restricted as bond 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 Debts

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, 1998 the district had reserves as required by FmHA.

2. RESTRICTED ASSETS

Restricted certificates of deposit were applicable to the following at June 30, 1998:

Revenue Bond and Interest	\$ 117,089
Reserve Fund	37,617
Depreciation and Contingency	<u>56,816</u>
 Total	 <u>\$ 211,522</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, 1998 the Water district had cash and cash equivalents totaling \$ 321,914 as follows:

Cash on Hand	\$ 47
Demand Deposits	60,345
Certificates of Deposit	<u>261,522</u>
 Total	 <u>\$ 321,914</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. 30:1229 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 disconnect procedures for delinquent accounts which also lower the credit risk on customer accounts receivable.

5. GENERAL LONG-TERM DEBT

The Water district obtained two loans from the Farmers Home Administration FmHA in the amounts of \$ 665,000 and \$ 160,000 in 1987 and 1991, respectfully. Long-term debt payable at June 30, 1998 is \$ 768,758 and is comprised of the following:

Payable at Jun. 30	Date of Issue	Original Issue	Interest Rate	Final Payment Date	Interest To Maturity	Principal Outstanding
1998	Feb. 11, 1987	\$ 665,000	5.88 %	Feb. 11, 2027	\$ 713,330	\$ 620,000
1998	May 10, 1991	\$ 160,000	5.88 %	Feb. 11, 2031	\$ 209,521	\$ 148,758

The annual requirements to amortize all debt outstanding at June 30, 1998, for the next five years are as follows:

Year Ending June 30,	
1999	\$ 53,963
2000	53,551
2001	53,140
2002	53,670
2003	54,200

6. COMPENSATION OF COMMISSIONERS

As provided by Louisiana R.S. 33:3819, the Water commissioners receive per diem for each board meeting they attend as follows:

President	\$ 45
All Other Commissioners	\$ 45

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 RATES AND ACCOUNTS RECEIVABLE

At present the district charges residential customers \$14 for the first 2,000 gallons of water use and \$ 1.60 for each additional 1,000 gallons used. Commercial accounts are charged \$ 28 for the first 10,000 gallons of water used and \$ 1.60 each additional 1,000 gallons used.

<u>AGED RECEIVABLES</u>		
Days	0 - 30	\$ 20,120
	30 - 60	1,761
	Over 60	1,630

9. USE OF ESTIMATES

The preparation of Jefferson Davis Parish Water District No. 4's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS no. 107, "Disclosure about Fair Value of Financial Instruments" requires the disclosure of the fair market value of off- and on-balance sheet financial instruments. The following summarizes the carrying amounts and estimated fair value of the District's financial instruments for which it is practicable to estimate that value as of June 30, 1998.

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Cash	110,392	110,392
Restricted Assets	211,522	211,522
Notes Payable No. 1 - FmHA	620,000	620,000
Notes Payable No. 2 - FmHA	148,758	148,758

The following methods and assumptions were used to estimate the fair value of the above financial instruments included above:

Cash and Restricted Assets

The carrying amount is assumed to approximate fair value because of the short maturities of those instruments.

Notes Payable

The fair value of the District's long-term debt is estimated based on the local current rates offered to the District for debt of the same maturities.

FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS
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*Ronald W. Frederick, CPA
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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, 1998 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 & Schulthess

Frederick, Norton, Robert & Schulthess

September 25, 1998

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Schedule of Insurance in Force
As of June 30, 1998

Company	From	To	Policy #	Amount	Coverage
Western Surety Company	7-7-96	7-7-99	18306668	107,000	Fidelity Bond
Allstate Insurance Company	6-6-98	6-6-99	49-416055	392,541	Property Damage
Union Fire Ins. Co. of Louisiana	2-1-98	2-1-99	GL5883174RA	1Mil/2 Mil	General Liability
Louisiana United Business	1-1-98	1-1-99	28-00919	100/500/100	Worker's Compensation

The above information is as determined by examination of insurance policies and insurance invoices 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, 1998

Per Diem Received:	Robert Sarver	Curtis Welsh	Frank Dennis	Charles Deese	Blaine O'Conner
Jul. 1997	45	45	45	45	45
Aug.	45	45	45	45	0
Sep.	45	45	45	45	45
Oct.	45	45	45	45	45
Nov.	45	45	45	45	45
Dec.	45	45	45	45	45
Jan. 1998	45	45	45	45	45
Feb.	45	45	45	45	45
Mar.	45	45	45	45	45
Apr.	45	45	45	45	0
May	45	45	0	45	45
Jun.	45	45	0	45	45

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

Schedule of Findings and Questioned Cost
As of June 30, 1998

SECTION I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Other Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

There were no Federal Program Expenditures

c. Identification of Major Programs:

There were no Federal Program Expenditures

SECTION II Financial Statement Finding

63098-1 Material Weakness

Criteria:

Segregation of duties is necessary to reasonably insure an entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Lack of segregation of duties in certain areas can effect the design or operation of one or more of the internal control components, such that those controls do not reduce to a relatively low level the risk that misstatements in amounts 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.

Condition:

Lack of segregation of duties

Cause:

The current number of employees makes it impossible to implement the required segregation of duties consistent with appropriate control objectives.

Recommendations:

Management has determined that the hiring of additional personnel to accomplish the desired segregation of duties is cost prohibitive. We agree with management and have no recommendations.

SECTION III Federal Award Findings and Questioned Costs

There were no matters reported.

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4

**Schedule of Prior Year Findings
As of June 30, 1998**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS		
63097-1	MATERIAL WEAKNESS - The lack of segregation of duties due to the small number of employees is cost prohibative to correct. We agree and have no recommendations.	Unresolved - 63098-1
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS		
	NO FINDINGS TO REPORT	
SECTION III MANAGEMENT LETTER		
63097-2	NEPOTISM - Two individuals who were members of a Commissioner's immediate family were emplyed by the district for a short period of time. Total amount paid was \$ 187.50. Individuals were terminated. We recommended reviewing a current listing of Commissioner's and Manager's immediate family members before making employment decisions.	Resolved
63097-3	FmHA FIDELITY BOND COVERAGE - The District did not maintain fidelity bond coverage equal to their annual loan installments as required. The district immediately increased coverage. We recommended that the Board of Commissioners review the District's insurance coverage annually.	Resolved
63097-4	FmHa Reporting Requirement - The District failed to send USDA Rural Development the annual audit report within the 90 day reporting requirment period. The District filed such report upon notification. We recommended that the District send all required reports to such agencies immediately upon receipt and approval of such reports.	Resolved

ADDITIONAL REPORTS

FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS
(A PROFESSIONAL CORPORATION)

*Ronald W. Frederick, CPA
Carl W. Norton, CPA
James R. Robert, Jr., CPA
Melvin R. Schulthess, CPA*

345 EAST ACADEMY AVENUE
POST OFFICE DRAWER 1429
JENNINGS, LOUISIANA 70546

(318) 824-2395 (318) 824-8028
(318) 824-8080 FAX (318) 824-8082

Members:

*American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants*

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, 1998, and have issued our report thereon dated September 25, 1998. 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.

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. At the current number of employees it is impossible to implement the required 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 cost 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 amounts 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 that are 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, 1998.

This report is intended for the information of the Board of Commissioner, 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, Norton, Robert & Schulthess

September 25, 1998