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FINANCIAL STATEMENTS

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4  
(A Component Unit of Jefferson Davis Police Jury)

AS OF JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public 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 12-22-04

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## TABLE OF CONTENTS

MANGAGEMENT'S DISCUSSION AND ANALYSIS	1-4
INDEPENDENT AUDITORS' REPORT	5-6
FINANCIAL STATEMENTS	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-14
SUPPLEMENTAL INFORMATION	
Report on Supplemental Information	15
Schedule of Insurance in Force	16
Schedule of Per Diem Paid	17
Schedule of Findings and Questioned Costs	18
Schedule of Prior Year Findings	19
ADDITIONAL REPORTS	
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Auditing Standards Accepted in the United States of America.	20-21

**JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2004**

As management of Jefferson Davis Parish Water District No. 4, we offer readers of Jefferson Davis Parish Water Districts No. 4's financial statements this narrative overview and analysis of the financial activities of the Water District for the fiscal year ended June 30, 2004. All amounts, unless otherwise indicated, are expressed in whole dollars.

### **Financial Highlights**

- The assets of the Jefferson Davis Parish Water District No. 4 exceeded its liabilities at the close of its most recent fiscal year by \$864,159 (Net Assets). Of this amount, \$56,401 (Unrestricted Net Assets) may be used to meet the District's ongoing obligations to citizen's and creditors.
- The District's total net assets decreased by \$10,490
- This District's long-term debt payable (net of current maturities) decreased by \$12,412

### **Overview of the Financial Statements**

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34 are a presentation of Management Discussion and Analysis and the Basic Financial Statements. These financial statements consist of two sections – Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; the Statement of Cash Flows and the Notes to the financial statements which are an integral part of the Basic Financial Statements.

The Statement of Net Assets (page 7) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 8) presents information showing how the District's assets changed as a result of current year operation. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 9) 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 as required by GASB 34.

The notes to the financial statements (page 10-14) provide additional information that is essential to a full understanding of the data provided in the proprietary financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Jefferson Davis Parish Water District No. 4's customer rates, compensation of board members and customer statistics. Required supplementary information can be found on pages 15-19 of this report.

### **Proprietary Fund Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Jefferson Davis Parish Water District No. 4, assets exceed liabilities by \$864,159 at the close of the most recent fiscal year.

By far the largest portion of Jefferson Davis Parish Water District No. 4's net assets (36 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, wells, tanks and water distribution system), less any related debt used to acquire those assets this is still outstanding. The Jefferson Davis Parish Water District No. 4 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Jefferson Davis Parish Water District No. 4's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

#### Jefferson Davis Parish Water District No. 4's Net Assets (Table 1)

	Business-type Activities
Current and other assets	\$ 168,327
Restricted assets	394,775
Capital assets	<u>1,106,849</u>
Total assets	<u>1,669,951</u>
Long-term liabilities outstanding	771,597
Other Liabilities	<u>34,195</u>
Total Liabilities	<u>805,792</u>
Net assets:	
Invested in capital assets, net of related debt	399,441
Restricted	408,317
Unrestricted	<u>56,401</u>
Total net assets	<u>\$ 864,159</u>

A portion of the Jefferson Davis Parish Water District No. 4's net assets (9%) represents resources that are restricted for debt retirement. The balance of the unrestricted net assets \$56,401 may be used to meet the water district's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Jefferson Davis Parish Water District No. 4 was able to report positive balances in all three categories of net assets.

There was decrease in operating income reported in connection with an increase in operational costs during 2004. The primary increases were in contract labor and repairs, which had increases of \$10,469 and \$31,077, respectfully. In addition to the increased operating costs, the District also experienced a decrease of \$9,983 in overall operating revenues. Furthermore, interest earnings went from \$12,966 in 2003 to \$6,024 in 2004.

#### Jefferson Davis Parish Water District No. 4 changes in net assets (table 2)

	2004	2003
Revenues:		
Program Revenues		
Charges for services	285,954	295,937
Capital Grants and Contributions	-0-	-0-
Other general revenues	<u>6,024</u>	<u>12,966</u>
Total Revenues	<u>291,978</u>	<u>308,903</u>
Expenses		
Water	260,956	217,601
Interest of long term debt	41,512	44,092
Other expenditures	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>302,468</u>	<u>261,693</u>
Increase (decrease) in net assets	(10,490)	47,210
Capital Contributions	-0-	-0-
Net Assets Beginning	<u>874,649</u>	<u>827,439</u>
Net Assets Ending	<u>864,159</u>	<u>874,649</u>

Operating Revenues exceeded operating expenses for 2004 by 24,998.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Jefferson Davis Parish Water District No. 4's investment in capital assets as of June 30, 2004, amounts to \$1,106,849 (net of accumulated depreciation). This investment in capital assets includes buildings, furniture and fixtures, water distribution system, wells, tanks and equipment and construction in progress.

The only major capital asset event during the current fiscal year included some overhauling of the wells, tanks and equipment.

#### **Jefferson Davis Parish Water District No. 4 Capital Assets (net of Depreciation)**

	<b>2004</b>	<b>2003</b>
Land & Land Rights	3,580	3,580
Office Equipment	8,072	8,072
Water distribution system	902,018	871,670
Wells, tanks and equipment	867,578	840,150
Construction in progress	-0-	-0-
Accumulated depreciation	674,399	619,684
Balance net of accumulated depreciation	1,106,849	1,103,788

### **Long-Term Debt**

At the end of the current fiscal year, Jefferson Davis Parish Water District No. 4 had total debt outstanding of \$707,408. The Farmers Home Administration is the holder of these two notes. These notes bear interest at a rate of 5.875 percent per annum.

#### **Jefferson Davis Parish Water District No. 4 Outstanding Long Term Debt**

	<b>2004</b>	<b>2003</b>
FmHA	\$694,884	\$707,296

Jefferson Davis Parish Water District No. 4's total long term debt decreased by \$12,412 during the current fiscal year. Additional information on Jefferson Davis Parish Water District No. 4's long-term debt can be found in Note 5 on page 13 of this report.

### **Economic Factors and Next Years Rates**

The unemployment rate for the Parish of Jefferson Davis, Louisiana is currently 9.7%, which is a decrease from 10.4% a year ago. This is higher than the State's average unemployment rate of 5.3%.

Jefferson Davis Parish is heavily dependent on the agriculture industry, which due to the rural location.

The district has not increased rates since July of 2001 and did not propose a rate increase for 2004.

As a propriety fund type, the district is not required to adopt a budget. It is anticipated that the positive unrestricted net assets will avoid the need to raise charges during 2004-2005 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the Parish of Jefferson Davis, Louisiana, Water District No. 4's finances for all with an interest in the government's finances.

Questions concerning any the information provided in the report or requests for additional financial information should be addressed to the Jefferson Davis Parish Water District No. 4, Finance Director, P.O. Box 1443, Jennings, LA 70546.

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Jefferson Davis Parish Water District No. 4, a component unit of the Jefferson Davis Police Jury, as of and for the year ended June 30, 2004, 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 financial statements based on our audit.

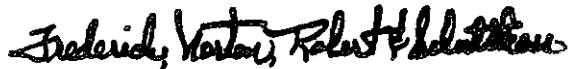
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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, 2004 and 2003, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. This results in a change in the format and content of the financial statements as of June 30, 2004.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



FREDERICK, NORTON, ROBERT & SCHULTHESS  
December 7, 2004

**JEFFERSON DAVIS PARISH WATER DISTRICT NO.4**  
 (A Component Unit of Jefferson Davis Police Jury)  
 Statement of Net Assets  
 June 30, 2004 and 2003

**ASSETS**

	2004	2003
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 138,570	\$ 178,832
Accounts Receivable - Customers	24,886	27,123
Prepaid Insurance	4,871	3,001
<b>TOTAL CURRENT ASSETS</b>	<b>168,327</b>	<b>208,956</b>
<b>NON CURRENT ASSETS</b>		
Restricted Assets	394,775	380,953
Capital Assets (net of accumulated depreciation)	1,103,269	1,100,208
Land and Land Rights	3,580	3,580
<b>TOTAL NON - CURRENT ASSETS</b>	<b>1,501,624</b>	<b>1,484,741</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,669,951</b>	<b>\$ 1,693,697</b>

**LIABILITIES**

	2004	2003
<b>CURRENT LIABILITIES</b>		
Accounts, Salaries, and Other Payables	\$ 4,249	\$ 6,903
Interest Payable	17,422	18,303
Notes Payable No. 1 – FMHA (due in one year)	10,000	10,000
Notes Payable No. 2 – FMHA (due in one year)	2,524	2,390
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,195</b>	<b>37,596</b>
<b>NON CURRENT LIABILITIES</b>		
Notes Payable No. 1 – FMHA (less current)	561,000	571,000
Notes Payable No. 2 – FMHA (less current)	133,884	136,296
Customer Deposits Payable	76,713	74,156
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>771,597</b>	<b>781,452</b>

**NET ASSETS**

	2004	2003
<b>Investment in Capital Assets, Net of Related Debt</b>		
Reserve Water Revenue Bond and Interest Sinking Fund	73,000	73,000
Reserve Water Reserve Fund	30,448	30,448
Reserve Water Depreciation and Contingency Fund	88,318	82,498
Contributions	216,551	231,762
Unrestricted	56,401	72,839
<b>TOTAL NET ASSETS</b>	<b>\$ 864,159</b>	<b>\$ 874,649</b>

The accompanying notes are an integral part of the financial statements

**JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4**  
**(A Component Unit of Jefferson Davis Police Jury)**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2004 and 2003**

	2004	2003
<b>OPERATING REVENUES</b>		
Sales of Water	\$ 266,931	\$ 272,292
Installation Fees	7,125	8,675
Penalties and Reconnection Fees	11,898	14,970
Total Operating Revenues	<u>285,954</u>	<u>295,937</u>
<b>OPERATING EXPENSES</b>		
Chemicals	16,460	15,306
Contract Labor	23,137	12,668
Communications	3,270	3,142
Depreciation	54,715	52,903
Insurance	12,837	8,642
Installations	148	449
Land Lease	200	200
Meeting – Per Diem	4,380	3,720
Office Rent	1,400	3,450
Office Expense	3,730	5,027
Payroll Taxes	4,873	4,476
Postage	2,615	2,527
Professional Fees	4,391	5,044
System Supplies	8,086	11,540
Repairs	41,097	10,020
Salaries	59,785	58,506
Travel	8,061	8,434
Utilities	11,771	11,547
Total Operating Expenses	<u>260,956</u>	<u>217,601</u>
<b>OPERATING INCOME(LOSS)</b>	<u>24,998</u>	<u>78,336</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	6,024	12,966
Interest Expense	(41,512)	(44,092)
Total Non-operating Revenues (Expenses)	<u>(35,488)</u>	<u>(31,126)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(10,490)</u>	<u>47,210</u>
<b>Total Net Assets-Beginning</b>	<u>874,649</u>	<u>827,439</u>
<b>Total Net Assets-Ending</b>	<u>\$ 864,159</u>	<u>\$ 874,649</u>

The Accompanying notes are an integral part of the financial statements

**JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4**  
**(A Component Unit of Jefferson Davis Police Jury)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004 and 2003**

	2004	2003
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 287,770	\$ 294,760
Payments to suppliers	(131,375)	(86,777)
Payments to employees	(59,785)	(63,240)
Other receipts (payments)	(16,627)	(18,065)
Net Cash Provided (used) by Operating Activities	<u>79,983</u>	<u>126,678</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchases of capital assets	(57,776)	(49,724)
Principal paid on capital debt	(12,278)	(11,579)
Interest paid on capital debt	(42,393)	(44,092)
Net Cash Provided (used) by Capital And Related Financing Activities	<u>(112,447)</u>	<u>(105,395)</u>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends received	6,024	12,966
Net Cash Provided (used) by investing activities	<u>6,024</u>	<u>12,966</u>
Net Increase (decrease) in Cash and Cash Equivalents	<u>(26,440)</u>	<u>34,249</u>
Cash and Cash Equivalents, Beginning of Year	\$ 559,785	\$ 525,536
Cash and Cash Equivalents, End of Year	<u>\$ 533,345</u>	<u>\$ 559,785</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities</b>		
Operating income (loss)	\$ 24,998	\$ 78,336
Depreciation Expense	54,715	52,903
(Increase) decrease in accounts receivable	2237	(751)
(Increase) decrease in prepaid items	(1,870)	(622)
Increase (decrease) in accounts payable	(909)	2,049
Increase (decrease) accrued Expenses	(1,745)	(1,880)
Increase (decrease) in customer deposits	2,557	(3,357)
Total Adjustments	<u>54,985</u>	<u>48,342</u>
Net Cash Provided (used) by Operating Activities	<u>\$ 79,983</u>	<u>\$ 126,678</u>

**SUPPLEMENTAL DISCLOSURES:**

1. Accounting Policy Note: The District considers only cash to be cash and cash equivalents.
2. Debt Note: During the year the District paid interest of \$ 42,393
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 2004 and 2003 the District had additions to utility plant in service and Machinery and equipment of \$ 57,776 and \$ 49,724, respectfully.

The accompanying notes are an integral part of the financial statements

**JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4**  
(A Component Unit of Jefferson Davis Police Jury)  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS OF JUNE 30, 2004

**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 854 residential and 28 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 district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private businesses enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Basis of Accounting**

The District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

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. The District uses alternative 2 under GASB 20 for the reporting of its Enterprise Fund activities.

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 \$ 20.00 is assessed if the customer still has not paid by the 10th of the following month. An installation fee is charged for all new water service. These fees range from \$ 140.00 to \$ 300.00, 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 liabilities, 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 does 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 an expense is taken when an account is deemed uncollectible.

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, 2004 the district had reserves as required by FMHA.

J. Contributions

The district received and expended grant funds to construct part of its facility. The grant contains certain contingent restrictions based on the fair market value of that portion of the facility which was attributed to the grant funds. Each year an allocation is made to reclass a portion of the contribution account to unrestricted net assets. The balance in the contributions account is the balance of the unallocated grant.

2. RESTRICTED ASSETS

Restricted certificates of deposit were applicable to the following at June 30, 2004:

Revenue Bond and Interest	\$	218,266
Reserve Fund		69,771
Depreciation and Contingency		<u>106,738</u>
Total	\$	<u>394,775</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 Jefferson Davis Parish Water District may deposit funds in one of the chartered banks within the parish where the district is organized. At June 30, 2004 the Water district had cash and cash equivalents totaling \$ 533,345 as follows:

	\$	
Total Unrestricted Cash		138,570
Total Restricted Cash		<u>394,775</u>
Total Cash & Cash Equivalents	\$	<u>533,345</u>

#### **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 carrying amount of the District's deposits with financial institutions was \$533,345. The deposits are categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the District in its name	\$333,113
Uncollateralized (Collateralized with securities held by the pledging financial institution's trust department but not in the name of the District)	\$200,232

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, 2004 is \$ 694,884 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
2004	Feb. 11, 1987	\$ 665,000	5.875 %	Feb. 11, 2027	\$ 467,826	561,000
2004	May 10, 1991	\$ 160,000	5.875 %	Feb. 11, 2029	\$ 119,380	133,884

The annual requirements to amortize all debt outstanding at June 30, 2004, for the next five years are as follows:

Year Ending June 30,	
2006	54,496
2007	54,850
2008	55,145
2009	55,381
20010	55,558
2011 - 2015	280,339
2016 - 2020	284,613
2021 – 2025	297,903
2026 – 2029	143,805

#### **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	\$ 60
All Other Commissioners	\$ 60

#### **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 \$ 1.80 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.

#### AGED RECEIVABLES

Days	0 - 30	\$ 24,221
	30 - 60	503
	Over 60	162

#### 9. USE OF ESTIMATES

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

#### 10. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Land Rights	3,580	-0-	-0-	3,580
Capital Assets Being Depreciated:				
Water Wells	198,859	-0-	-0-	198,859
Main Plant	198,346	21,134	-0-	219,480
Filtration System	368,440	-0-	-0-	368,440
Water Lines	871,670	30,348	-0-	902,018
Office Equipment	8,072	-0-	-0-	8,072
Machinery and Equipment	74,505	6,294	-0-	80,799
Total Capital Assets Being Depreciated	1,719,892	57,776	-0-	1,777,668
Less Accumulated Depreciation	619,684	54,715	-0-	674,399
Total Capital Assets Being Depreciated Net of Depreciation	1,100,208	3,061	-0-	1,103,269
Total Capital Assets, Net	1,103,788	3,061	-0-	1,106,849

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Board of Commissioners  
Jefferson Davis Parish Water District No. 4

Our report on our audit of the basic financial statements of the Jefferson Davis Parish Water District No. 4, a component unit of Jefferson Davis Police Jury, for the year ended June 30, 2004 appears on page one. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 17 through 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Frederick, Norton, Robert & Schulthess

December 7, 2004

EFFERSON DAVIS PARISH WATER DISTRICT NO. 4  
(A Component Unit of Jefferson Davis Police Jury)  
Schedule of Insurance in Force  
As of June 30, 2004

Company	From	To	Policy #	Amount	Coverage
Western Surety Company	9-10-03	9-10-04	18306668	107,000	Fidelity Bond
Farm Bureau Insurance	6-6-04	6-6-05	SF 281411	392,541	Property Damage
Union Fire Ins. Co. of Louisiana	2-1-04	2-1-05	GL5883174RA	1Mil/2 Mil	General Liability
Louisiana United Business	1-1-04	1-1-05	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**  
 ( A Component of Jefferson Davis Police Jury)  
 Schedule of Per Diem Paid  
 For the Year Ended June 30, 2004

Per Diem Received:	Robert Sarver	Curtis Welsh	Frank Dennis	Charles Deese	Herman Benoit	Bryan Lejeune
Jul. 2003	60	60	60	60	60	0
Aug.	60	60	60	60	60	0
Sep.	60	60	60	60	60	0
Oct.	60	60	60	60	60	0
Nov.	60	60	60	60	60	0
Dec.	120	120	120	60	120	0
Jan. 2004	120	120	120	120	120	0
Feb.	60	60	60	60	60	0
Mar.	60	60	60	60	60	0
Apr.	60	60	60	60	60	0
May	60	60	60	60	60	0
Jun.	120	120	120	120	0	60

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4  
(A Component Unit of Jefferson Davis Police Jury)  
Schedule of Findings and Questioned Cost  
As of June 30, 2004

SECTION I Summary of Auditor's Reports

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

Internal Control  
Material Weaknesses      X Yes          No      Other Reportable Conditions          Yes    X No

Compliance  
Compliance Material to Financial Statements            Yes    X 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

63004-1      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.

EFFERSON DAVIS PARISH WATER DISTRICT NO. 4  
(A Component Unit of Jefferson Davis Police Jury)  
Schedule of Prior Year Findings  
As of June 30, 2004

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS		
63003-1	MATERIAL WEAKNESS - The lack of segregation of duties due to the small number of employees is cost prohibitive to correct. We agree and have no recommendations.	
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS		
	NO FINDINGS TO REPORT	
SECTION III MANAGEMENT LETTER		
	NO FINDINGS TO REPORT	

**ADDITIONAL REPORTS**

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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 AUDITING STANDARDS ACCEPTED IN THE UNITED STATES OF AMERICA**

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

We have audited the accompanying basic financial statements of Jefferson Davis Parish Water District No. 4, a component unit of Jefferson Davis Police Jury, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 auditing standards accepted in the United States of America.

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.

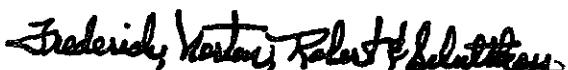
**Reportable Condition:**

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, 2004.

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

December 7, 2004