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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, 2005

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 1-11-2006

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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, 2005, 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2005, 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.

The prior year information presented for comparative purposes was derived from the District's 2004 financial statements and, in our report dated December 7, 2004, we expressed an unqualified opinion on them. The partial presentation of the 2004 information does not contain sufficient disclosure to constitute a fair presentation in conformity with generally accepted accounting principles.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

FREDERICK, NORTON, ROBERT & SCHULTHESS  
December 7, 2005

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JEFFERSON DAVIS PARISH WATER DISTRICT NO.4  
(A Component Unit of Jefferson Davis Police Jury)  
Statement of Net Assets  
June 30, 2005 and 2004

ASSETS

	2005	2004
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 151,721	\$ 138,570
Accounts Receivable - Customers	28,567	24,886
Accounts Receivable - Other	10,455	0
Prepaid Insurance	4,871	4,871
<b>TOTAL CURRENT ASSETS</b>	<b>195,614</b>	<b>168,327</b>
<b>NON CURRENT ASSETS</b>		
Restricted Assets	408,796	394,775
Capital Assets (net of accumulated depreciation)	1,079,097	1,103,269
Land and Land Rights	3,580	3,580
<b>TOTAL NON - CURRENT ASSETS</b>	<b>1,491,473</b>	<b>1,501,624</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,687,087</b>	<b>\$ 1,669,951</b>

LIABILITIES

<b>CURRENT LIABILITIES</b>		
Accounts, Salaries, and Other Payables	\$ 7,580	\$ 4,249
Interest Payable	18,225	17,422
Notes Payable No. 1 - FMHA (due in one year)	11,000	10,000
Notes Payable No. 2 - FMHA (due in one year)	2,668	2,524
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,473</b>	<b>34,195</b>
<b>NON CURRENT LIABILITIES</b>		
Notes Payable No. 1 - FMHA (less current)	550,000	561,000
Notes Payable No. 2 - FMHA (less current)	130,996	133,884
Customer Deposits Payable	78,450	76,713
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>759,446</b>	<b>771,597</b>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	388,013	399,441
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	94,138	88,318
Contributions	200,983	216,551
Unrestricted	101,586	56,401
<b>TOTAL NET ASSETS</b>	<b>\$ 888,168</b>	<b>\$ 864,159</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 Years Ended June 30, 2005 and 2004

	2005	2004
<b>OPERATING REVENUES</b>		
Sales of Water	\$ 284,582	\$ 266,931
Installation Fees	8,584	7,125
Penalties and Reconnection Fees	11,473	11,898
Other Revenues	2,896	0
Total Operating Revenues	<u>307,535</u>	<u>285,954</u>
<b>OPERATING EXPENSES</b>		
Chemicals	16,857	16,460
Contract Labor	27,275	23,137
Communications	4,089	3,270
Depreciation	57,031	54,715
DHH Fess	2,634	0
Insurance	14,605	12,837
Installations	1,004	148
Land Lease	400	200
Meeting – Per Diem	3,960	4,380
Meter Reading	10,039	0
Office Rent	0	1,400
Office Expense	3,029	3,730
Payroll Taxes	5,466	4,873
Postage	2,596	2,615
Professional Fees	6,279	4,391
System Supplies	17,209	8,086
Repairs	17,082	41,097
Retirement Contribution	1,455	0
Salaries	71,193	59,785
Travel	9,113	8,061
Utilities	11,975	11,771
Total Operating Expenses	<u>283,291</u>	<u>260,956</u>
<b>OPERATING INCOME(LOSS)</b>	<u>24,244</u>	<u>24,998</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	6,454	6,024
Interest Expense	(42,144)	(41,512)
Grants	35,455	0
Total Non-operating Revenues (Expenses)	<u>(235)</u>	<u>(35,488)</u>
<b>CHANGE IN NET ASSETS</b>	24,009	(10,490)
Total Net Assets-Beginning	<u>864,159</u>	<u>874,649</u>
Total Net Assets-Ending	<u>\$ 888,168</u>	<u>\$ 864,159</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 Years Ended June 30, 2005 and 2004

	2005	2004
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 300,958	\$ 287,770
Payments to suppliers of goods and services	(138,110)	(131,375)
Payments to employees	(68,111)	(59,785)
Other receipts (payments)	(21,727)	(16,627)
Net Cash Provided (used) by Operating Activities	<u>73,010</u>	<u>79,983</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Operating subsidies	<u>35,455</u>	<u>0</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>35,455</u>	<u>0</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchases of capital assets	(32,859)	(57,776)
Principal paid on capital debt	(12,744)	(12,278)
Interest paid on capital debt	(42,144)	(42,393)
Net Cash Provided (used) by Capital And Related Financing Activities	<u>(87,747)</u>	<u>(112,447)</u>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends received	<u>6,454</u>	<u>6,024</u>
Net Cash Provided (used) by investing activities	<u>6,454</u>	<u>6,024</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,172	(26,440)
Cash and Cash Equivalents, Beginning of Year	533,345	559,785
Cash and Cash Equivalents, End of Year	<u>\$ 560,517</u>	<u>\$ 533,345</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities</b>		
Operating income (loss)	\$ 24,244	\$ 24,998
Depreciation Expense	57,031	54,715
(Increase) decrease in accounts receivable	(14,136)	2,237
(Increase) decrease in prepaid items	0	(1,870)
Increase (decrease) in accounts payable	3,331	(909)
Increase (decrease) accrued Expenses	803	(1,745)
Increase (decrease) in customer deposits	1,737	2,557
Total Adjustments	<u>48,766</u>	<u>54,985</u>
Net Cash Provided (used) by Operating Activities	<u>\$ 73,010</u>	<u>\$ 79,983</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)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2005

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 902 residential and 32 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, 2005 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, 2005:

Revenue Bond and Interest	\$	221,655
Reserve Fund		73,966
Depreciation and Contingency		<u>113,175</u>
Total	\$	<u><u>408,796</u></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, 2005 the Water district had cash and cash equivalents totaling \$ 533,345 as follows:

Total Unrestricted Cash	\$	151,721
Total Restricted Cash		<u>408,796</u>
Total Cash & Cash Equivalents	\$	<u><u>560,517</u></u>

4. CREDIT RISK

Custodial 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 \$560,470. Of this amount \$ 225,111 was collateralized with securities held by the pledging institution.

Other Credit Risk

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, 2005 is \$ 680,996 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
2005	Feb. 11, 1987	\$ 665,000	5.875 %	Feb. 11, 2027	\$ 434,384	\$ 550,000
2005	May 10, 1991	\$ 160,000	5.875 %	Feb. 11, 2029	\$ 111,738	\$ 130,996

The annual requirements to amortize all debt outstanding at June 30, 2005, for the next five years are as follows:

Year Ending June 30,	
2007	\$ 54,850
2008	55,145
2009	55,381
2010	55,558
2011	55,677
2012 - 2016	280,934
2017 - 2021	287,152
2022 - 2026	300,093
2027 - 2031	82,328

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 \$ 1.80 each additional 1,000 gallons used.

		<u>AGED RECEIVABLES</u>	
Days	0 - 30		\$ 26,843
	30 - 60		1,463
	Over 60		261

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, 2005 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	219,480	-0-	-0-	219,480
Filtration System	368,440	-0-	-0-	368,440
Water Lines	902,018	21,966	-0-	923,984
Office Equipment	8,072	-0-	-0-	8,072
Machinery and Equipment	80,799	10,893	-0-	91,692
Total Capital Assets Being Depreciated	1,777,668	32,859	-0-	1,810,527
Less Accumulated Depreciation	674,399	57,031	-0-	731,430
Total Capital Assets Being Depreciated Net of Depreciation	1,103,269	(24,172)	-0-	1,079,097
Total Capital Assets, Net	1,106,849	(24,172)	-0-	1,082,677

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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, 2005 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, 2005

JEFFERSON DAVIS PARISH WATER DISTRICT NO. 4  
(A Component Unit of Jefferson Davis Police Jury)  
Schedule of Insurance in Force  
As of June 30, 2005

Company	From	To	Policy #	Amount	Coverage
Western Surety Company	10-23-04	10-23-05	18306668	160,500	Fidelity Bond
Arch Insurance	6-6-05	6-6-06	GWPKG0049300	387,370	Property Damage
Arch Insurance	6-6-05	6-6-06	GWPKG0049300	1Mil/3 Mil	General Liability
Louisiana United Business	1-1-05	1-1-06	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, 2005

Per Diem Received:	Robert Sarver	Curtis Welsh	Frank Dennis	Charles Deese	Randy Davis	Bryan Lejeune
Jul. 2004	60	60	60	60	0	60
Aug.	120	120	120	120	0	120
Sep.	60	60	60	60	0	60
Oct.	60	60	60	60	0	60
Nov.	120	120	0	120	0	120
Dec.	60	60	0	60	60	60
Jan. 2005	60	60	0	60	60	60
Feb.	60	60	0	60	0	60
Mar.	60	60	0	60	60	60
Apr.	60	60	0	60	60	60
May	60	60	0	60	60	0
Jun.	60	60	0	60	60	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, 2005

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

63005-1 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  
 (A Component Unit of Jefferson Davis Police Jury)  
*Schedule of Prior Year Findings*  
 As of June 30, 2005

<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>		
63004-1	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.	
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>		
	NO FINDINGS TO REPORT	
<b>SECTION III MANAGEMENT LETTER</b>		
	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, 2005, and have issued our report thereon dated December 7, 2005. 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, 2005.

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, 2005