

BEAUREGARD PARISH WATERWORKS
DISTRICT NO. 3
BEAUREGARD PARISH POLICE JURY
DERIDDER, LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT

DECEMBER 31, 2008

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 6/16/10

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John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Beauregard Parish Waterworks
District No. 3
Ragley, Louisiana

I have audited the accompanying financial statements of the business-type activities, of Beauregard Parish Waterworks District No. 3, a component unit of the Beauregard Parish Police Jury, DeRidder, Louisiana, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beauregard Parish Waterworks District No. 3's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. I believe that my audit provides a reasonable basis for my opinions.

Because of inadequacies in the District's accounting records, I was unable to form an opinion regarding the amount of charges for services revenue of \$558,324 in the accompanying statement of activities and statement of revenues, expenses and changes in net assets.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had charges for services revenue been susceptible to satisfactory audit test, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the business-type activities of Beauregard Parish Waterworks District No. 3, as of December 31, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 26, 2010 on my consideration of Beauregard Parish Waterworks District No. 3's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Board of Commissioners
Beauregard Parish Waterworks
District No. 3
Ragley, Louisiana

Beauregard Parish Waterworks District No. 3, a component unit of the Beauregard Parish Police Jury, DeRidder, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beauregard Parish Waterworks District No. 3's basic financial statements as a whole. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings and management's response are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings and management's response have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



DeRidder, Louisiana
March 26, 2010

BASIC FINANCIAL STATEMENTS

Beauregard Parish Waterworks District No. 3
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement A

Statement of Net Assets
December 31, 2008

	<u>Business-type Activities</u>
ASSETS	
Cash	\$ 1,339,579
Receivables:	
Accounts	45,110
Non-depreciable capital assets	9,605
Depreciable capital assets, net	<u>3,365,030</u>
Total assets	<u>\$ 4,759,324</u>
LIABILITIES	
Accounts payable	<u>\$ 25,121</u>
NET ASSETS	
Invested in capital assets	\$ 3,374,635
Unrestricted	<u>1,359,568</u>
Total net assets	<u>\$ 4,734,203</u>
Total liabilities and net assets	<u>\$ 4,759,324</u>

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 3
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement B

Statement of Activities
 For the Year Ended December 31, 2008

Program Activities	Expenses	Program Revenues Charges for Services	Business-type Activities
Business-type activities:			
Water and sewer	\$ 470,510	\$ 558,324	\$ 87,814
General revenues:			
Investment earnings			\$ 11,798
		Total general revenues	\$ 11,798
		Change in net assets	\$ 99,612
Net assets at beginning of year			4,634,591
Net assets at end of year			\$ 4,734,203

The accompanying notes are an integral part of the statement.

Beauregard Parish Waterworks District No. 3
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement C

Statement of Net Assets
 Proprietary Fund
 December 31, 2008

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Assets	
Current Assets	
Cash	\$ 1,339,579
Receivables:	
Accounts	45,110
Total current assets	<u>\$ 1,384,689</u>
Noncurrent Assets	
Non-depreciable capital assets	\$ 9,605
Depreciable capital assets, net	3,365,030
Total noncurrent assets	<u>\$ 3,374,635</u>
Total assets	<u>\$ 4,759,324</u>
Liabilities	
Current Liabilities	
Accounts payable	<u>\$ 25,121</u>
Net Assets	
Invested in capital assets	\$ 3,374,635
Unrestricted	1,359,568
Total net assets	<u>\$ 4,734,203</u>
Total liabilities and net assets	<u>\$ 4,759,324</u>

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 3
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended December 31, 2008

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Operating revenues	
Charges for services	<u>\$ 558,324</u>
Operating expenses	
Personal services	\$ 97,763
Supplies	46,624
Contractual services	179,914
Depreciation	146,209
Total operating expenses	<u>\$ 470,510</u>
Income (loss) from operations	<u>\$ 87,814</u>
Nonoperating revenues (expenses)	
Investment income	<u>\$ 11,798</u>
Change in net assets	\$ 99,612
Net assets at beginning of year	<u>4,634,591</u>
Net assets at end of year	<u><u>\$ 4,734,203</u></u>

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 3
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement E

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 549,911
Cash payments to suppliers for goods and services	(232,016)
Cash payments to employees for services	(97,763)
Net cash provided by operating activities	\$ 220,132
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (40,532)
Cash flow from investing activities:	
Interest on cash and investments	\$ 11,798
Net increase (decrease) in cash and cash investments	\$ 191,398
Cash and Cash investments, beginning	1,148,181
Cash and Cash investments, ending	\$ 1,339,579

(Continued)

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 3
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ <u>87,814</u>
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	\$ 146,209
Change in assets and liabilities:	
Increase in accounts receivable	(8,413)
Decrease in accounts payable	<u>(5,478)</u>
Net cash provided by operating activities	<u>\$ 220,132</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 3
Notes to the Financial Statements
As of and for the Year Ended December 31, 2008

INTRODUCTION

Beauregard Parish Waterworks District No. 3 was created by the Beauregard Parish Police Jury under Louisiana Revised Statute 33:3811. The purpose of the water district is to provide water service to rural residents of the district. The governing body is composed of five compensated board members appointed by the Beauregard Parish Police Jury.

The district is located in central Beauregard Parish in the southwestern region of the State of Louisiana. The district provides rural water service to approximately 2,200 residents and employs approximately two employees.

The accounting and reporting policies of Beauregard Parish Waterworks District No. 3 conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Beauregard Parish Waterworks District No. 3 is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of Beauregard Parish Waterworks District No. 3. Business-type activities, which rely to a significant extent on fees and charges for support are the only activities reported in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Beauregard Parish Waterworks District No. 3 reports the following proprietary fund:

The Proprietary Fund accounts for operations (a) 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Beauregard Parish Waterworks District No. 3

Notes to the Financial Statements (Continued)

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water and sewer services to residents comprise the operating revenue of the district's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and Beauregard Parish Waterworks District No. 3's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

A nonrefundable membership fee is collected at the time a customer's account is established. Due to the policy of the district concerning delinquent accounts, this fee covers the majority of the delinquent accounts, and any allowance account would be immaterial, therefore one has not been established.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense incurred during the year therefore no interest was included as part of the cost of capital assets under construction in connection with the district's construction projects.

All capital assets, other than land and work in progress, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Distribution system	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Equipment	3-15 years

Beauregard Parish Waterworks District No. 3

Notes to the Financial Statements (Continued)

F. Compensated Absences

The district has the following policy relating to annual leave:

Two weeks annual leave for salaried employees based upon the number of days worked per week. Unused annual leave cannot be carried over.

G. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

2. CASH AND CASH EQUIVALENTS

At December 31, 2008, the District has cash (book balances) totaling \$1,339,579 as follows:

Interest bearing demand deposits	<u>\$ 1,339,579</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2008, the District has \$1,340,954 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,090,954 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The receivables of \$45,110 at December 31, 2008, are as follows:

<u>Class of receivable</u>	Proprietary <u>Fund</u>
Accounts	<u>\$ 45,110</u>

Beauregard Parish Waterworks District No. 3

Notes to the Financial Statements (Continued)

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2008, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 9,605	\$ -	\$ -	\$ 9,605
Work in progress	173,369	-	173,369	-
Total capital assets, not being depreciated	182,974	-	173,369	9,605
Capital assets being depreciated				
Buildings	34,000	-	-	34,000
Utility plant and improvements	5,498,825	40,532	-	5,539,357
Machinery and equipment	46,481	150,096	-	196,577
Furniture and fixtures	1,155	-	-	1,155
Total capital assets being depreciated	5,580,461	190,628	-	5,771,089
Less accumulated depreciation for:				
Buildings	3,876	850	-	4,726
Utility plant and improvements	2,208,859	137,804	-	2,346,663
Machinery and equipment	45,960	7,555	-	53,515
Furniture and fixtures	1,155	-	-	1,155
Total accumulated depreciation	2,259,850	146,209	-	2,406,059
Total business-type assets being depreciated, net	\$ 3,320,611	\$ 44,419	\$ -	\$ 3,365,030

5. ACCOUNTS AND OTHER PAYABLES

The payables of \$25,121 at December 31, 2008, are as follows:

Accounts	Proprietary Fund
	\$ 25,121

6. RETIREMENT SYSTEMS

All employees of the District are members of the Federal Social Security System. The District contributes 7.65% of gross salaries up the appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

7. JOINT OPERATIONS

Beauregard Parish Waterworks District No. 3 and South Beauregard Water System, Inc. (a nonprofit organization) operate out of the same office and share office personnel, supplies, and other contracted services for their operations. In prior years the Board of Directors had determined that 37% of these expenses relate to Beauregard Parish Waterworks District No. 3, therefore on a monthly basis South Beauregard Water System, Inc. pays 100% of these expenses and Beauregard Parish Waterworks District No. 3 reimburses the system 37% of these expenses. Also there is one board member that serves on both the district and the system's board. At the present time the local district attorney's office is in the process of requesting a ruling from the attorney general's office concerning the propriety of these two systems operating in conjunction with one another. The district will comply with whatever the attorney general's opinion is when it is received.

OTHER SUPPLEMENTAL INFORMATION

Beauregard Parish Waterworks District No. 3
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members
For the Year Ended December 31, 2008

<u>Board Member</u>	<u>Number of Meetings</u>	<u>Amount of Per Diem</u>	<u>Amount</u>
W. H. Habetz	11	\$ 60	\$ 750
Robert A. Welborn	18	60	1,233
John M. Williams	17	60	1,164
Tommy Harper	11	60	759
Julian Campbell	17	60	<u>1,164</u>
Total			<u>\$ 5,070</u>

OTHER REPORTS

Beauregard Parish Waterworks District No. 3
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 2

Schedule of Prior Year Audit Findings
Year Ended December 31, 2008

Audit Finding No. 2007-1

Noncompliance with Louisiana Audit Law

Finding:

The district is not in compliance with the Louisiana Audit Law (LRS 24:513), which requires political subdivisions to submit annual financial reports to the Office of the Louisiana Legislative Auditor no later than six months after their fiscal year end. The district has not complied with this law for the fiscal year ended December 31, 2007.

Date of initial occurrence – December 31, 2007

Corrective action taken – No

Schedule of Current Year Audit Findings and Management's Response
Year Ended December 31, 2008

Financial Statement Audit Findings

Audit Finding No. 2008-1

Inadequacies in District's Accounting Records

Finding:

The billing registers to support charges for services revenue were not available. The bookkeeper stated that she did not know they needed to be printed and saved each month. Due to this fact, documentation of charges for services revenue was severely limited and I was unable to form an opinion on whether the charges for services revenue was correctly stated.

Recommendation:

I recommend that billing registers for charges for services revenue be printed out and reconciled to the revenue account each month. Also the billing registers should be saved and stored in a secure place according to proper record retention laws.

Audit Finding No. 2008-2

Noncompliance with Louisiana Audit Law

Finding:

The district is not in compliance with the Louisiana Audit Law (LRS 24:513), which requires political subdivisions to submit annual financial reports to the Office of the Louisiana Legislative Auditor no later than six months after their fiscal year end. The district has not complied with this law for the fiscal year ended December 31, 2008. This is a repeat comment from the prior year's audit.

Recommendation:

I recommend that the district stay in compliance with Louisiana Audit Law (LRS 24:513) by having financial statements accurately prepared and submitting these statements to the engaged auditor timely so that the annual audit can be completed and submitted to the Office of the Louisiana Legislative Auditor by the statutory deadline.

BEAUREGARD PARISH WATERWORKS, DIST. 3

P. O. Box 69
RAGLEY, LOUISIANA 70657
(318) 725-3000

May 10, 2010

Daryl G. Purpera, CPA
Office of Louisiana Legislative Auditor
P O Box 94397
Baton Rouge, LA 70804-9397

Our records were recently audited and the following inadequacies were found:

1. The billing registers to support charges for services revenue were not available. The bookkeeper stated that she did not know they needed to be printed and saved each month. Due to this fact, documentation of charges for services was severely limited and auditor was unable to form an opinion on whether the charges for services revenue was correctly stated.

Answer:

I am presently keeping all monthly billing registers and reconciling them to the bank statements for each month. These registers will be kept on file according to retention laws.

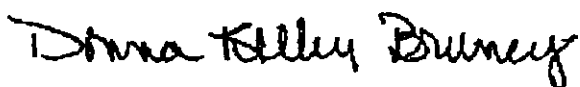
The following Noncompliance with Louisiana Audit Laws was found:

1. The District is not in compliance with the Louisiana Audit Law (LRS 24:513), which requires political subdivisions to submit annual Financial reports to the Office of the Louisiana Legislative Auditor no later than six months after their fiscal year end. The District has not complied with this law for the fiscal year ended December 31, 2008. This is a repeat comment from the prior year's audit.

Answer:

My records and financial statements were turned over to the CPA's office in a timely manner. Somehow, the auditor failed to receive them in his office on time for the fiscal year ended December 31, 2008. The previous year's business is unknown to me.

Sincerely,



Donna Kelley Bruney, Bookkeeper

John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Beauregard Parish Waterworks District No. 3
Ragley, Louisiana

I have audited the financial statements of, the business-type activities of Beauregard Parish Waterworks District No. 3, as of and for the year ended December 31, 2008, which collectively comprise the Beauregard Parish Waterworks District No. 3's basic financial statements and have issued my report thereon dated March 26, 2010. The report on the statement of activities and statement of revenues, expenses and changes in net assets was qualified because the accounting records were inadequate for me to form an opinion regarding the charges for services revenue shown in the amount of \$558,324. Except as discussed in the preceding sentence, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Beauregard Parish Waterworks District No. 3's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beauregard Parish Waterworks District No. 3's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Beauregard Parish Waterworks District No. 3's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Beauregard Parish Waterworks District No. 3's ability to initiate, authorize, record process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Beauregard Parish Waterworks District No. 3's financial statements that is more than inconsequential will not be prevented or detected by Beauregard Parish Waterworks District No. 3's internal control. I consider the deficiency described in the accompanying schedule of current years audit findings and management's response to be a significant deficiency in internal control over financial reporting

Board of Commissioners
Beauregard Parish Waterworks
District No. 3
Ragley, Louisiana

Audit Finding No. 2008-1. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Beauregard Parish Waterworks District No. 3's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above I consider Audit Finding No. 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beauregard Parish Waterworks District No. 3's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year audit findings and management's response as item Audit Finding No. 2008-2.

I also noted certain other matters that I reported to management of Beauregard Parish Waterworks District No. 3 in a separate letter dated March 26, 2010.

Beauregard Parish Waterworks District No. 3's response to the findings identified in my audit is described the accompanying schedule of current year audit findings and management's response. I did not audit Beauregard Parish Waterworks District No. 3's response and, accordingly I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



DeRidder, Louisiana
March 26, 2010

John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

May 12, 2010

Beauregard Parish Waterworks District No. 3
Board of Commissioners
P.O. Box 69
Ragley, LA 70657

In planning and performing my audit of the financial statements of Beauregard Parish Waterworks District No. 3 as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Beauregard Parish Waterworks District No. 3's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate letter dated May 10, 2010 contains my communication of significant deficiencies or material weaknesses in the Company's internal control. This letter does not affect my report dated May 12, 2010, on the financial statements of Beauregard Parish Waterworks District No. 3.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various Company personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Installation fees recorded on sales tax returns.

Condition: Fees charged for installation of meters for new services were recorded as water sales on the state sales tax returns.

Criteria: Only water sales or any other sales subject to state sales tax laws should be recorded on the sales tax returns.

Cause: The bookkeeper did not know to record only water sales on the sales tax returns.

Effect: Sales taxes were paid to the state on installation fees and water sales instead of just water sales.

Recommendation: I recommend that those responsible for filling out and filing sales tax returns become educated in the laws governing sales taxes as they relate to water systems. Also amended returns should be filed to recover the overpaid taxes.

Response: Management agrees and will monitor future filing of sales tax returns as well as seeing that amended returns are filed for refunds.

Insufficient documentation for shared expenses between the two water systems.

Condition: Beauregard Parish Waterworks District No. 3 and South Beauregard Water System, Inc. share office space and accordingly share certain office expenses. Documentation kept by the district was inadequate to substantiate the shared expenses.

Criteria: Since expenses are shared by both water systems, both systems should have documentation of the total expenses as well as their shared amounts.

Cause: The bookkeeper felt that since the documentation was kept by South Beauregard Water System, Inc., the district would not need to keep documentation in their files.

Effect: Anyone examining records of the district alone would not have documentation relating to the shared expenses.

Recommendation: I recommend the district update their files to contain all documentation relating to shared expenses between the two water systems and that both systems keep this documentation in their records.

Response: Management agrees and documentation of shared expenses will be kept by both water systems.

Sales tax returns prepared from bank deposits.

Condition: Sales tax returns were prepared from deposits taken off bank statements rather than sales linked to the billing register.

- Criteria:** Sales tax returns should be prepared from water sales that can be traced to billings on the billing register.
- Cause:** The bookkeeper did not know to use water sales reconciled to the billing register instead of bank deposits to fill out sales tax returns.
- Effect:** Bank deposits not representing water sales were added to the sales tax returns as water sales and sales taxes were overpaid.
- Recommendation:** I recommend that sales tax returns be prepared from water sales that have been reconciled to the billing register. I also recommend filing amended sales tax returns for the refund of the overpaid taxes.
- Response:** Management agrees and future sales tax returns will be prepared from water sales after they have been reconciled to the billing register. Management will also monitor preparation of amended returns for the overstated sales.

Sincerely,

John A. Windham, CPA