

**WATERWORKS DISTRICT NO. 3  
OF THE PARISH OF BEAUREGARD  
BEAUREGARD PARISH POLICE JURY  
STATE OF LOUISIANA**

**ANNUAL FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT**

**DECEMBER 31, 2012**

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 **SEP 18 2013**

## Table of Contents

	Statement	Page(s)
<b>INDEPENDENT AUDITOR'S REPORT</b>	-	1-2
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position	A	4
Statement of Activities	B	5
Statement of Net Position – Proprietary Fund	C	6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	D	7
Statement of Cash Flows – Proprietary Fund	E	8-9
<b>Notes to the Financial Statements</b>	-	11-17
	<b>Schedule</b>	<b>Page(s)</b>
<b>Other Supplemental Information</b>		
Schedule of Per Diem Paid to Board Members	1	19
<b>Other Reports</b>		
Schedule of Prior Year Audit Findings	2	21-22
Schedule of Current Year Audit Findings and Management's Response	3	23
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	-	24-25

# **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  
Charles M. Reed, Jr., CPA**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Waterworks District No. 3  
of the Parish of Beauregard  
State of Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities and the major fund of the Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Board of Commissioners  
Waterworks District No 3  
of the Parish of Beauregard  
State of Louisiana

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Waterworks District No 3 of the Parish of Beauregard, State of Louisiana as of December 31, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

**Other Matters**

**Required Supplementary Information**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

**Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No 3 of the Parish of Beauregard, State of Louisiana's basic financial statements. The schedule of per diem paid to board members is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of per diem paid to board members is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing, and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of per diem paid to board members is fairly stated in all materials respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2013, on my consideration of the Waterworks District No 3 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No 3 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana  
May 29, 2013

## **BASIC FINANCIAL STATEMENTS**

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Statement A

Statement of Net Position  
December 31, 2012

	Business-type Activities - <u>Enterprise Fund</u> Water and <u>Sewer</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,500,809
Receivables	
Accounts	154,838
Total current assets	<u>\$ 1,655,647</u>
<b>Restricted Assets</b>	
Cash	<u>\$ 1,466,608</u>
<b>Noncurrent Assets</b>	
Land	\$ 83,866
Utility plant and equipment - net	10,373,716
Total noncurrent assets	<u>\$ 10,457,582</u>
Total assets	<u>\$ 13,579,837</u>
<b>Deferred Outflows of Resources</b>	
Prepaid Department of Health and Hospital fees	\$ 8,250
Total assets and deferred outflows of resources	<u><u>\$ 13,588,087</u></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 47,238
Contracts payable	148,069
Payroll benefits payable	558
Customer deposits payable	62,680
Total current liabilities	<u>\$ 258,545</u>
<b>Noncurrent Liabilities</b>	
Revenue bonds - due in more than one year	<u>\$ 1,935,000</u>
Total liabilities	<u>\$ 2,193,545</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 9,388,871
Restricted for	
Debt service	458,517
Depreciation and contingencies	1,008,091
Unrestricted	<u>539,063</u>
Total net position	<u>\$ 11,394,542</u>
Total liabilities and net position	<u><u>\$ 13,588,087</u></u>

The accompanying notes are an integral part of this statement

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Statement B

Statement of Activities  
For the Year Ended December 31, 2012

Program Activities	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position
			Business-type Activities
Business-type activities			
Water and sewer	\$ 1,971,824	\$ 2,183,114	\$ 211,290
General revenues			
Investment earnings			\$ 6,569
Donation			(4,327)
Workers compensation dividend			2,827
Gain on asset disposal			1,080
Bond issue cost			(28,378)
Miscellaneous income			347
Total general revenues			(21,882)
Change in net position			189,408
Net position at beginning of year			11,205,134
Net position at end of year			\$ 11,394,542

The accompanying notes are an integral part of the statement

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Statement C

Statement of Net Position  
Proprietary Fund  
December 31, 2012

	Business-type Activities - Enterprise Fund Water and Sewer
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 1,500,809
Receivables	
Accounts	154,838
Total current assets	<u>\$ 1,655,647</u>
Restricted Assets	
Cash	<u>\$ 1,466,608</u>
Noncurrent Assets	
Land	\$ 83,866
Utility plant and equipment - net	10,373,716
Total noncurrent assets	<u>\$ 10,457,582</u>
Total assets	<u>\$ 13,579,837</u>
Deferred Outflows of Resources	
Prepaid Department of Health and Hospital fees	<u>\$ 8,250</u>
Total assets and deferred outflows of resources	<u>\$ 13,588,087</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 47,238
Contracts payable	148,069
Payroll benefits payable	558
Customer deposits payable	62,680
Total current liabilities	<u>\$ 258,545</u>
Noncurrent Liabilities	
Revenue bonds - due in more than one year	<u>\$ 1,935,000</u>
Total liabilities	<u>\$ 2,193,545</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 9,388,871
Restricted for	
Debt service	458,517
Depreciation and contingencies	1,008,091
Unrestricted	539,063
Total net position	<u>\$ 11,394,542</u>
Total liabilities and net position	<u>\$ 13,588,087</u>

The accompanying notes are an integral part of this statement



Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 2,183,114
Operating expenses	
Personal services and related benefits	\$ 718,060
Supplies	235,458
Contractual services	353,589
Utilities	114,001
Depreciation	489,837
Total operating expenses	\$ 1,910,945
Income (loss) from operations	\$ 272,169
Nonoperating revenues (expenses)	
Investment income	\$ 6,569
Interest expense	(60,879)
Miscellaneous income	347
Donation	(4,327)
Gain on asset disposal	1,080
Workers compensation dividend	2,827
Bond issue cost	(28,378)
Total nonoperating revenue (expenses)	\$ (82,761)
Change in net position	\$ 189,408
Net position at beginning of year	11,205,134
Net position at end of year	\$ 11,394,542

The accompanying notes are an integral part of this statement

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Statement E

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2012

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water and Sewer</u>
Cash flows from operating activities	
Cash received from customers	\$ 2,202,244
Cash payments to suppliers for goods and services	(699,130)
Cash payments to employees for services	(720,423)
Net cash provided by operating activities	<u>\$ 782,691</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	\$ (2,116,741)
Principal paid on long term debt	(65,000)
Interest paid on long term debt	(60,879)
Bond proceeds	2,000,000
Gain on sale of assets	1,551
Bond issue cost	(28,378)
Net cash used for capital and related financing activities	<u>\$ (269,447)</u>
Cash flows from non-capital and related financing activities	
Miscellaneous income	<u>\$ 347</u>
Net cash provided by non-capital and related financing activities	<u>\$ 347</u>
Cash flow from investing activities	
Interest income	\$ 6,569
Workers compensation dividend	2,827
Net cash provided by investing activities	<u>\$ 9,396</u>
Net increase (decrease) in cash and cash investments	\$ 522,987
Cash and cash equivalents, beginning	<u>2,444,430</u>
Cash and cash equivalents, ending	<u>\$ 2,967,417</u>

(Continued)

The accompanying notes are an integral part of this statement

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Statement E

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds
	<u>Water and Sewer</u>
Reconciliation of income from operations to net cash provided by operating activities	
Income from operations	<u>\$ 272,169</u>
Adjustments to reconcile income from operations to net cash provided by operating activities	
Depreciation	\$ 489,837
Change in assets and liabilities	
Decrease in accounts receivable	5,490
Decrease in accounts payable	(7,138)
Decrease in payroll benefits payable	(2,363)
Decrease in prepaid insurance	11,156
Increase in customer deposits payable	13,640
Increase in prepaid fees	(100)
Net cash provided by operating activities	<u>\$ 782,691</u>
	(Concluded)

The accompanying notes are an integral part of this statement

## NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements

## INTRODUCTION

Waterworks District No 3 of the Parish of Beauregard, State of Louisiana 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 eight 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 6,600 residents and employs approximately fourteen employees.

The accounting and reporting policies of Waterworks District No 3 of the Parish of Beauregard, State of Louisiana 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, Waterworks District No 3 of the Parish of Beauregard, State of Louisiana 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 position and the statement of activities) report information on all of the nonfiduciary activities of Waterworks District No 3 of the Parish of Beauregard, State of Louisiana. 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Waterworks District No 3 of the Parish of Beauregard, State of Louisiana 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.

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. 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 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 Waterworks District No 3 of the Parish of Beauregard, State of Louisiana'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. The district is exposed to custodial credit risk (bank balances not covered by depository insurance) but has no policy addressing this risk.

**D. Receivables and Payables**

A customer deposit 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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**F. Restricted Assets**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**G. 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 interest expense of \$60,879 incurred during the year. None of the interest was included as part of the cost of capital assets under construction in connection with the district's construction projects.

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

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
Building and building improvement	40-50 years
Furniture and fixtures	5-15 years
Equipment	3-15 years

**H. Compensated Absences**

The district has the following policy relating to annual leave

Two weeks annual leave for employees are allowed after one year of service Unused annual leave cannot be carried over

Ten days of sick leave can be accrued on an annual basis Unused sick leave cannot be carried over

**I. Long Term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate Bonds payable are reported net of the applicable bond premium or discount

**J. 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

**K. 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

**L. Restricted Net Position**

For government-wide statements of net position, net position is reported as restricted when constraints places on net position are either

- 1 externally impose by creditor (such as debt covenants), grantors, contributors, or laws or regulations of other governments, and
- 2 imposed by law through constitutional provisions or enabling legislation

Waterworks District No. 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**2. CASH AND CASH EQUIVALENTS**

At December 31, 2012, the district has cash (book balances) totaling \$ 2,967,417 as follows

Interest bearing checking	\$ 1,494,839
Petty cash	1,040
Savings accounts	1,008,091
Time deposits	463,447
Total	<u>\$ 2,967,417</u>

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, 2012, the district has \$ 3,111,234 in deposits (collected bank balances). These deposits are secured from risk by \$ 250,000 of federal deposit insurance and \$ 2,861,234 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 \$ 154,838 at December 31, 2012, are as follows:

<u>Class of receivable</u>	<u>Proprietary Fund</u>
Customer Receivables	<u>\$ 154,838</u>



Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2012, for the primary government is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 83,866	\$ -	\$ -	\$ 83,866
Work in progress	688,065	1,891,580	2,161,077	418,568
Total capital assets, not being depreciated	<u>771,931</u>	<u>1,891,580</u>	<u>2,161,077</u>	<u>502,434</u>
Capital assets being depreciated				
Buildings	34,000	540,862	-	574,862
Utility plant and improvements	14,293,110	1,767,530	81,387	15,979,253
Machinery and equipment	550,252	91,831	67,776	574,307
Furniture and fixtures	27,056	-	8,366	18,690
Total capital assets being depreciated	<u>14,904,418</u>	<u>2,400,223</u>	<u>157,529</u>	<u>17,147,112</u>
Less accumulated depreciation for				
Buildings	7,274	850	-	8,124
Utility plant and improvements	6,652,657	430,786	96,196	6,987,247
Machinery and equipment	204,460	56,204	67,305	193,359
Furniture and fixtures	5,276	1,997	4,039	3,234
Total accumulated depreciation	<u>6,869,667</u>	<u>489,837</u>	<u>167,540</u>	<u>7,191,964</u>
Total business-type assets being depreciated, net	<u>\$ 8,034,751</u>	<u>\$ 1,910,386</u>	<u>\$ 10,011</u>	<u>\$ 9,955,148</u>

**5. ACCOUNTS AND OTHER PAYABLES**

The payables of \$ 258,545 at December 31, 2012, are as follows

	Proprietary Fund
Accounts	\$ 47,238
Contracts payable	148,069
Payroll benefits	558
Customer deposits	62,680
Total	<u>\$ 258,545</u>

**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 to the appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**7. CONSTRUCTION COMMITMENTS**

Waterworks District No 3 of the Parish of Beauregard, State of Louisiana has active construction projects as of December 31, 2012. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Pierce Road Project	\$ 56,927	\$ 2,573
Graybow Road Project	27,049	613,136
Hwy 1147 - 113 Road Project	250,108	241,987
Hwy 1146 Project	54,222	4,778
Hwy 26 Water Well Project	30,262	350,501
Total	<u>\$ 418,568</u>	<u>\$ 1,212,975</u>

**8. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term debt transactions of the district for the year ended December 31, 2012:

	Revenue Bonds
Bonds payable, January 1, 2012	\$ -
Bond proceeds	2,000,000
Bonds retired	(65,000)
Bond payable, December 31, 2012	<u>\$ 1,935,000</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2012:

	Revenue Bond
Current portion	\$ -
Long-term portion	1,935,000
Total	<u>\$ 1,935,000</u>

Bonds payable at December 31, 2012 are comprised of the following individual issue:

**Revenue refunding bonds**

\$ 2,000,000 Water Revenue Bonds, Series 2012A,  
dated January 5, 2012, due in annual installments of \$ 65,000 to  
\$ 145,000 beginning January 1, 2013 through January 1, 2032,  
interest at 3.75%

\$ 1,935,000

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Concluded)

The annual requirements to amortize all debt outstanding as of December 31, 2012 including interest payments of \$ 882,577 are as follows

Year Ending	Revenue Bonds		Total
	Principal	Interest	
2013	\$ -	\$ 32,532	\$ 32,532
2014	65,000	64,919	129,919
2015	70,000	64,545	134,545
2016	70,000	63,967	133,967
2017	75,000	63,111	138,111
2018 - 2022	430,000	293,190	723,190
2023 - 2027	550,000	216,820	766,820
2028 - 2032	675,000	83,493	758,493
Totals	\$ 1,935,000	\$ 882,577	\$ 2,817,577

**9. RESTRICTED NET POSITION**

**RESTRICTED ASSETS**

Revenue bonds sinking fund	\$ 458,517
Revenue bonds depreciation and contingency fund	1,008,091
Restricted net position	<u>\$ 1,466,608</u>

## OTHER SUPPLEMENTAL INFORMATION

Waterworks District No 3 of the Parish of Beauregard  
State of Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members  
For the Year Ended December 31, 2012

<u>Board Member</u>	<u>Number of Meetings</u>	<u>Amount of Per Diem</u>	<u>Amount</u>
Cord Ensminger	11	\$ 60	\$ 660
John M Williams	8	60	480
Julian Campbell	12	60	720
Bob McLamore	17	60	1,020
Leona Hollingsworth	17	60	1,020
Giles Brown	10	60	600
Raymond Cole	16	60	960
Paul LaFleur	14	60	840
Total			<u>\$ 6,300</u>

---

## OTHER REPORTS

---

Schedule of Prior Year Audit Findings  
Year Ended December 31, 2012

Financial Statement Audit Findings

Audit Finding No. 2011-1

Noncompliance with Louisiana Audit Law

Condition	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.
Criteria	The Louisiana Audit Law (LRS 24:513) 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.
Cause	As of the first date of fieldwork it was determined that the financial statements and accounting records supporting them were not adequate and could not be audited in their current state. Due to this the audit had to be postponed until after the due date in order to get financial statements that could be audited.
Effect	The district is not in compliance with the Louisiana Audit Law (LRS 24:513).
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. Also, for this year I recommend that an independent CPA be hired to reconstruct accounting records and financial statements that can be audited for the year ending December 31, 2011.

Initial Date of Occurrence December 31, 2011

Corrective Action Taken Yes

Audit Finding No. 2011-2

Inadequate Records and Document Retention

Condition	Payroll records such as W-2's and the corresponding W-3 could not be located when requested during the initial fieldwork. Various other documents such as invoices to support accounts payable could also not be located. When payroll records were subsequently submitted it was noted that the W-2's did not reconcile to the four quarters Forms 941 reports and errors were also noted on these reports. The Louisiana tax Form L-3 was filed but the tax was not paid until a delinquent notice was received resulting in added penalties and interest.
Criteria	Accounting records supporting the financial statements should be filed and maintained in an orderly fashion so that they can be produced and presented when requested. Payroll records and other documents should be prepared accurately and reviewed by a responsible official of the district. All payments due by the district should be made accurately and in a timely manner to avoid penalty and interest charges.
Cause	Poor recordkeeping by the bookkeeper and a lack of monitoring by management led to inadequate record preparation and document retention. Also a lack of supervision over the finance department led to the financial statements that were originally presented for audit to be misstated.

Schedule of Prior Year Audit Findings  
Year Ended December 31, 2012

**Effect** When the original fieldwork began the audit had to be suspended until an independent CPA could be hired to reconstruct the financial statements for the entire year resulting in the district missing the Louisiana Audit Law deadline

**Recommendation** I recommend that the district hire a qualified accountant to maintain records, prepare financial statements and file required returns correctly and maintain records in an orderly fashion. The district manager should supervise and monitor the operations of the finance department to be assured that documents are maintained and prepared on a timely basis, he should also report monthly to the board of his supervision and monitoring activities and report any deficiencies noted.

**Date of Initial Occurrence** December 31, 2008

**Corrective Action Taken** Yes



Waterworks District No. 3 of the Parish of Beauregard  
State of Louisiana

Schedule 3

Schedule of Current Year Audit Findings and Management's Response  
Year Ended December 31, 2012

Financial Statement Audit Findings

There were no current year audit findings as of December 31, 2012

# 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  
Charles M. Reed, Jr., CPA

## INDEPENDENT AUDITOR'S 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  
Waterworks District No. 3  
of the Parish of Beauregard  
State of Louisiana

I have audited, in accordance with the 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, the financial statements of the business-type activities and the major fund of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued my report thereon dated May 29, 2013.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners  
Waterworks District No. 3  
of the Parish of Beauregard  
State of Louisiana

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of John A. Windham, CPA in black ink.

DeRidder, Louisiana  
May 29, 2013