

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

ANNUAL FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT

DECEMBER 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

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# **John A. Windham, CPA**

***A Professional Corporation***

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**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 the 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, 2004, 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 an opinion 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 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 opinion.

In my opinion, the financial statements referred to above 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, 2004, and the changes in financial position and cash flows, where applicable, thereof and 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 22, 2005 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 grants, agreements and other matters. The purpose of that report is to describe the scope of our 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 conjunction with this report in considering the results of my audit.

The 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.

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

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Beauregard Parish Waterworks District No. 3's basic financial statements. The schedules of per diem paid to board members and prior year audit findings 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 and prior year audit findings have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "John H. Windham, CPA". The signature is written in a cursive, flowing style.

DeRidder, Louisiana  
March 22, 2005

## **BASIC FINANCIAL STATEMENTS**

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

Statement A

Statement of Net Assets  
December 31, 2004

	Business-type Activities
<b>ASSETS</b>	
Cash	\$ 747,528
Receivables:	
Accounts	32,174
Capital assets, net	<u>3,592,472</u>
Total assets	<u>\$ 4,372,174</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 11,904</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 4,360,270</u>
Total liabilities and net assets	<u>\$ 4,372,174</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, 2004

Program Activities	<u>Program Revenues</u>		<u>Business-type Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
Business-type activities:			
Water and sewer	<u>\$ 375,122</u>	<u>\$ 466,435</u>	<u>\$ 91,313</u>
General revenues:			
Investment earnings			<u>5,038</u>
		Total general revenues	<u>5,038</u>
		Change in net assets	<u>96,351</u>
Net assets at beginning of year			<u>4,263,919</u>
Net assets at end of year			<u><u>\$ 4,360,270</u></u>

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, 2004

	Business-Type Activities - Enterprise Fund Water and Sewer
<b>Assets</b>	
Current Assets	
Cash	\$ 747,528
Receivables:	
Accounts	32,174
Total current assets	<u>\$ 779,702</u>
Noncurrent Assets	
Capital assets, net	<u>\$ 3,592,472</u>
Total assets	<u>\$ 4,372,174</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 11,904
<b>Net Assets</b>	
Unrestricted	<u>\$ 4,360,270</u>
Total liabilities and net assets	<u>\$ 4,372,174</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, 2004

	Business-Type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	\$ 466,435
Operating expenses	
Personal services	\$ 57,841
Supplies	11,808
Contractual services	171,275
Depreciation	134,198
Total operating expenses	\$ 375,122
Income (loss) from operations	\$ 91,313
Nonoperating revenues (expenses)	
Investment income	\$ 5,038
Change in net assets	\$ 96,351
Net assets at beginning of year	4,263,919
Net assets at end of year	\$ 4,360,270

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, 2004

	Business-Type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 468,517
Cash payments to suppliers for goods and services	(193,105)
Cash payments to employees for services	<u>(50,340)</u>
Net cash provided by operating activities	<u>\$ 225,072</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>\$ (62,808)</u>
Cash flow from investing activities:	
Interest on cash and investments	<u>\$ 5,038</u>
Net increase (decrease) in cash and cash investments	\$ 167,302
Cash and Cash investments, beginning	<u>580,226</u>
Cash and Cash investments, ending	<u>\$ 747,528</u>

(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, 2004

	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>\$ 91,313</u>
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	\$ 134,198
Change in assets and liabilities:	
Decrease in accounts receivable	2,083
Decrease in accounts payable	(2,522)
Net cash provided by operating activities	<u>\$ 225,072</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, 2004

## INTRODUCTION

The 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 1,500 residents and employs approximately two employees.

The accounting and reporting policies of the 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, the 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 the Beauregard Parish Waterworks District No. 3. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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.

Separate financial statements are provided for governmental funds and proprietary funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

### 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## Beauregard Parish Waterworks District No. 3

### Notes to the Financial Statements (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Likewise, general revenues include all taxes.

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 the 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**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

Beauregard Parish Waterworks District No. 3

Notes to the Financial Statements (Continued)

**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 applicable governmental or business-type activities columns 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 \$1,000 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, 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

**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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 2004, the District has cash (book balances) totaling \$747,528 as follows:

Interest bearing demand deposits	<u>\$ 747,528</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.

Beauregard Parish Waterworks District No. 3

Notes to the Financial Statements (Continued)

At December 31, 2004, the District has \$755,438 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$655,438 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 \$32,174 at December 31, 2004, are as follows:

<u>Class of receivable</u>	<u>Proprietary</u>
<u>Accounts</u>	<u>Fund</u>
	\$ 32,174

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2004, for the primary government is as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 9,605	\$ -	\$ -	\$ 9,605
Capital assets being depreciated				
Buildings	34,000	-	-	34,000
Utility plant and improvements	5,286,486	62,808	-	5,349,294
Machinery and equipment	46,481	-	-	46,481
Furniture and fixtures	1,155	-	-	1,155
Total capital assets being depreciated	5,368,122	62,808	-	5,430,930
Less accumulated depreciation for:				
Buildings	474	850	-	1,324
Utility plant and improvements	1,667,832	132,873	-	1,800,705
Machinery and equipment	44,404	475	-	44,879
Furniture and fixtures	1,155	-	-	1,155
Total accumulated depreciation	1,713,865	134,198	-	1,848,063
Total business-type assets being depreciated, net	\$ 3,654,257	\$ (71,390)	\$ -	\$ 3,582,867

**5. ACCOUNTS AND OTHER PAYABLES**

The payables of \$11,904 at December 31, 2004, are as follows:

	<u>Proprietary</u>
	<u>Fund</u>
Accounts	\$ 11,904

Beauregard Parish Waterworks District No. 3

Notes to the Financial Statements (Concluded)

**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 administrates the plan and pays benefits.



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## 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, 2004

<u>Board Member</u>	<u>Number of Meetings</u>	<u>Amount of Per Diem</u>	<u>Amount</u>
W. H. Habetz	13	\$ 60	\$ 780
Robert A. Welborn	13	60	780
John M. Williams	13	60	780
Jimmy Barrett	13	60	780
Julian Campbell	13	60	780
 Total			 \$ 3,900

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## OTHER REPORTS

Schedule of Prior Year Audit Findings  
Year Ended December 31, 2004

Findings - Financial Statement Audit

There were no prior year audit findings reported as of December 31, 2003.

# **John A. Windham, CPA**

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**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 the business-type activities of the Beauregard Parish Waterworks District No. 3, as of and for the year ended December 31, 2004, which collectively comprise the Beauregard Parish Waterworks District No. 3's, basic financial statements and have issued my report thereon dated March 22, 2005. 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 the Beauregard Parish Waterworks District No. 3's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 caused by error or fraud 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the Board of Aldermen, 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.

*John A. Windham, CPA*

DeRidder, Louisiana  
March 22, 2005