

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

ANNUAL FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013

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# **John A. Windham, CPA**

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## **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, 2013, 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.

## 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, 2013, 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 expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of per diem paid to board members and the schedule of expenditures of federal awards are the responsibility of management and were 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 and the schedule of expenditures of federal awards are 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 30, 2014, 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 30, 2014

## BASIC FINANCIAL STATEMENTS

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

Statement A

Statement of Net Position  
December 31, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
	<u>                    </u>
Assets	
Cash and cash equivalents	\$ 1,262,209
Receivables:	
Accounts	175,058
Bond forgiveness of debt	12,495
Restricted cash	2,068,052
Capital assets not being depreciated	671,615
Capital assets being depreciated - net	<u>11,242,517</u>
Total assets	<u>\$ 15,431,946</u>
Deferred Outflows of Resources	
Prepaid Department of Health and Hospital fees	<u>\$ 9,381</u>
Total assets and deferred outflows of resources	<u><u>\$ 15,441,327</u></u>
Liabilities	
Accounts payable	\$ 44,637
Contracts payable	94,969
Payroll benefits payable	344
Customer deposits payable	77,980
Long term liabilities:	
Due in more than one year	<u>3,249,708</u>
Total liabilities	<u>\$ 3,467,638</u>
Net Position	
Net investment in capital assets	\$ 8,285,096
Restricted for:	
Debt service	564,634
Depreciation and contingencies	1,503,418
Unrestricted	<u>1,620,541</u>
Total net position	<u>\$ 11,973,689</u>
Total liabilities and net position	<u><u>\$ 15,441,327</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, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Capital Grants and Contributions	Business-type Activities
Program Activities				
Business-type activities:				
Water system	\$ 2,403,777	\$ 2,282,427	\$ 690,953	\$ 569,603
General revenues:				
Investment earnings				\$ 5,788
Miscellaneous income				3,755
Total general revenues				9,543
Change in net position				579,146
Net position at beginning of year				11,394,543
Net position at end of year				\$ 11,973,689

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, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
	<u>                    </u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,262,209
Receivables:	
Accounts	175,058
Bond forgiveness debt	12,495
Total current assets	<u>\$ 1,449,762</u>
Restricted Assets	
Cash	<u>\$ 2,068,052</u>
Noncurrent Assets	
Capital assets not being depreciated	\$ 671,615
Capital assets being depreciated - net	11,242,517
Total noncurrent assets	<u>\$ 11,914,132</u>
Total assets	<u>\$ 15,431,946</u>
Deferred Outflows of Resources	
Prepaid Department of Health and Hospital fees	<u>\$ 9,381</u>
Total assets and deferred outflows of resources	<u><u>\$ 15,441,327</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 44,637
Contracts payable	94,969
Payroll benefits payable	344
Customer deposits payable	77,980
Total current liabilities	<u>\$ 217,930</u>
Noncurrent Liabilities	
Revenue bonds - due in more than one year	<u>\$ 3,249,708</u>
Total liabilities	<u>\$ 3,467,638</u>
Net Position	
Net investment in capital assets	\$ 8,285,096
Restricted for:	
Debt service	564,634
Depreciation and contingencies	1,503,418
Unrestricted	<u>1,620,541</u>
Total net position	<u>\$ 11,973,689</u>
Total liabilities and net position	<u><u>\$ 15,441,327</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 D

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	<u>\$ 2,282,427</u>
Operating expenses	
Personal services and related benefits	\$ 796,940
Supplies	37,397
Contractual services	931,855
Depreciation	555,138
Total operating expenses	<u>\$ 2,321,330</u>
Income (loss) from operations	<u>\$ (38,903)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 5,788
Interest expense	(82,447)
Miscellaneous income	3,755
Total nonoperating revenue (expenses)	<u>\$ (72,904)</u>
Income (loss) before capital contributions	\$ (111,807)
Capital contributions	<u>690,953</u>
Change in net position	\$ 579,146
Net position at beginning of year	<u>11,394,543</u>
Net position at end of year	<u><u>\$ 11,973,689</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 E

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,277,507
Cash payments to suppliers for goods and services	(972,984)
Cash payments to employees for services	(797,154)
Net cash provided by operating activities	<u>\$ 507,369</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (2,064,788)
Principal paid on long term debt	(110,000)
Interest paid on long term debt	(82,447)
Bond proceeds	1,424,708
Forgiveness of loan	678,458
Net cash used for capital and related financing activities	<u>\$ (154,069)</u>
Cash flows from non-capital and related financing activities:	
Miscellaneous income	<u>\$ 3,755</u>
Net cash provided by non-capital and related financing activities	<u>\$ 3,755</u>
Cash flow from investing activities:	
Interest income	<u>\$ 5,788</u>
Net cash provided by investing activities	<u>\$ 5,788</u>
Net increase (decrease) in cash and cash investments	\$ 362,843
Cash and cash equivalents, beginning	<u>2,967,418</u>
Cash and cash equivalents, ending	<u>\$ 3,330,261</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, 2013

	Business-type Activities - Enterprise Funds
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash provided by operating activities:	
Loss from operations	<u>\$ (38,903)</u>
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	\$ 555,138
Change in assets and liabilities:	
Increase in accounts receivable	(20,220)
Decrease in accounts payable	(2,601)
Decrease in payroll benefits payable	(214)
Increase in customer deposits payable	15,300
Increase in prepaid fees	(1,131)
Net cash provided by operating activities	<u>\$ 507,369</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 conforms 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 segments 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.

**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 \$82,447 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, 2013, the district has cash (book balances) totaling \$3,330,261 as follows:

Interest bearing checking	\$ 1,825,803
Petty cash	1,040
Savings accounts	1,503,418
Total	<u>\$ 3,330,261</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, 2013, the district has \$3,529,427 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$3,279,427 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 \$187,553 at December 31, 2013, are as follows:

<u>Class of receivable</u>	<u>Proprietary Fund</u>
Customer Receivables	\$ 175,058
Bond forgiveness of debt	12,495
Total	<u>\$ 187,553</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, 2013, 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	418,568	1,904,090	1,734,909	587,749
Total capital assets, not being depreciated	<u>502,434</u>	<u>1,904,090</u>	<u>1,734,909</u>	<u>671,615</u>
Capital assets being depreciated				
Buildings	574,862	-	-	574,862
Utility plant and improvements	15,979,253	1,842,507	-	17,821,760
Machinery and equipment	574,307	-	-	574,307
Furniture and fixtures	18,690	-	-	18,690
Total capital assets being depreciated	<u>17,147,112</u>	<u>1,842,507</u>	<u>-</u>	<u>18,989,619</u>
Less accumulated depreciation for:				
Buildings	13,758	14,372	-	28,130
Utility plant and improvements	6,981,613	477,175	-	7,458,788
Machinery and equipment	193,359	61,594	-	254,953
Furniture and fixtures	3,234	1,997	-	5,231
Total accumulated depreciation	<u>7,191,964</u>	<u>555,138</u>	<u>-</u>	<u>7,747,102</u>
Total business-type assets being depreciated, net	<u>\$ 9,955,148</u>	<u>\$ 1,287,369</u>	<u>\$ -</u>	<u>\$ 11,242,517</u>

**5. ACCOUNTS AND OTHER PAYABLES**

The payables of \$217,930 at December 31, 2013, are as follows:

	Proprietary Fund
Accounts	\$ 44,637
Contracts payable	94,969
Payroll benefits	344
Customer deposits	77,980
Total	<u>\$ 217,930</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 the appropriate statutory limits to that system. The Federal Social Security System administrates the plan and pays benefits.

Waterworks District No. 3 of Beauregard Parish

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, 2013. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Flow meter improvements	\$ 79,819	\$ 25,181
Hwy 12/Reneau Road Project	2,981	24,019
Hwy 394 Project	141,716	228,284
Hwy 26 Water Plant Project	363,233	66,767
Total	<u>\$ 587,749</u>	<u>\$ 344,251</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, 2013:

	Revenue Bonds
Bonds payable, January 1, 2013	\$ 1,935,000
Bond proceeds	1,424,708
Bonds retired	(110,000)
Bond payable, December 31, 2013	<u>\$ 3,249,708</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, 2013:

	Revenue Bond
Current portion	\$ -
Long-term portion	3,249,708
Total	<u>\$ 3,249,708</u>

Bonds payable at December 31, 2013 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% \$1,870,000

Revenue Bonds:

\$2,100,000 Water Revenue Bonds, Series 2013, dated  
March 15, 2013 due in annual installments of \$45,000 to  
\$142,000 beginning January 1, 2014 through January 1, 2033,  
Interest at 2.95%. \$1,379,708

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, 2013 including interest payments of \$1,257,098 are as follows:

Year Ending	Revenue Bonds		Total
	Principal	Interest	
2014	\$ -	\$ 32,386	\$ 32,386
2015	125,196	105,246	230,442
2016	126,824	103,041	229,865
2017	133,500	100,508	234,008
2018	140,226	97,656	237,882
2019 - 2023	778,852	433,299	1,212,151
2024 - 2028	955,304	293,484	1,248,788
2029 - 2033	989,806	91,478	1,081,284
Totals	<u>\$ 3,249,708</u>	<u>\$ 1,257,098</u>	<u>\$ 4,506,806</u>

**9. RESTRICTED NET POSITION**

RESTRICTED ASSETS

Revenue bonds sinking fund	\$ 564,634
Revenue bonds depreciation and contingency fund	<u>1,503,418</u>
Restricted net position	<u>\$ 2,068,052</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, 2013

<u>Board Member</u>	<u>Number of Meetings</u>	<u>Amount of Per Diem</u>	<u>Amount</u>
Mark Royer	14	\$ 60	\$ 840
Karl Overton	1	60	60
Mike Williams	15	60	900
Julian Campbell	13	60	780
Bob McLamore	14	60	840
Leona Hollingsworth	17	60	1,020
Giles Brown	8	60	480
Raymond Cole	14	60	840
Paul LaFleur	5	60	300
Total			<u>\$ 6,060</u>

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2013

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>Other Programs</b>		
United States Environmental Protection Agency		
Direct Programs		
Capitalization Grants for Drinking Water State	66.468	\$ 2,047,792
Revolving Funds		
Total United States Environmental Protection		
Agency		<u>\$ 2,047,792</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 2,047,792</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Waterworks District No. 3 of the Parish of Beauregard, Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## OTHER REPORTS

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

Schedule 3

Schedule of Prior Year Audit Findings  
Year Ended December 31, 2013

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



Schedule of Current Year Audit Findings and Management's Response  
Year Ended December 31, 2013

Financial Statement Audit Findings

Audit Finding No. 2013-1

Misappropriation of Assets

Condition:	A theft of \$1,315 occurred during the year. An employee had received cash in the office for new service but instead of depositing the cash immediately, the employee would take the cash and then wait for new cash to come in and would cover the cash misappropriated with new cash received. A customer called about why they did not have new service and the employee that had misappropriated the cash was out due to illness. Another employee went through her new service folder looking for the customer's application and found other receipts marked cash; however, no cash was attached to the receipt as it should have been.
Criteria:	When an application for new service is taken in by an employee, a receipt is put into the new service file of that employee and either cash, check or money order should be attached. At the time, the old computer system did not immediately assign a new service account number and the cash may remain in the new service folder for several days before the new account is assigned and the deposit made to the bank. At the time, each employee was responsible for his or her new service folder and monitoring by a manager was not done.
Cause of Condition:	The fact that the money remained in the new service folder several days and each employee had responsibility for his or her folder lead to cash being misappropriated out of the folder. Also a lack of monitoring of new service folders by management added to the problem.
Effect of Condition:	Misappropriation of cash was allowed due to the cause of condition. A CPA was hired to investigate the theft and it was determined that \$1,315 was the total amount of the theft. The employee repaid the money to the district and was terminated and the local district attorney and sheriff were notified.
Recommendation:	I recommend that cash received at the district's office be deposited on a daily basis and not kept overnight in folders in employee's desks. New service folders where cash may be temporarily stored should be monitored and inspected by the finance director on a regular basis.



**WATERWORKS DISTRICT NO. 3** *of Beauregard Parish*

12810 Hwy 171 ~ Longville, LA 70652  
Office 337-725-3000 ~ Fax 337-725-4992

June 19, 2014

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
1600 North Third St  
PO Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

This letter is the response to the finding by Mr. John Windham, CPA, for our 2013 audit.

We deposit all monies received during the day that evening in Jeff Davis Bank. All folders on billing clerk's desks are monitored by the office manager for cash or checks. Any monies attached to folders are immediately removed and placed in the company vault until the next deposit.

Sincerely,

Bruce W. Butts  
Office manager

# 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 governmental activities and the major fund of Waterworks District No. 3 of the Parish of Beauregard, Louisiana as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Waterworks District No. 3 of the Parish of Beauregard, Louisiana's basic financial statements, and have issued my report thereon dated May 30, 2014.

## **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 3'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, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 3 of the Parish of Beauregard, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. I did identify certain deficiencies in internal control, disclosed in the accompanying schedule of current year audit findings and management's response that I consider to be significant deficiencies. Audit Finding No. 2013-1

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'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*

**Waterworks No. 3 of the Parish of Beauregard, Louisiana's Response to Findings**

Waterworks District No. 3 of the Parish of Beauregard, Louisiana's response to the findings identified in my audit is described in the accompanying schedule of current year audit findings and management's response. Waterworks District No. 3 of the Parish of Beauregard, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**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 30, 2014

# John A. Windham, CPA

*A Professional Corporation*

1620 North Pine Street  
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John A. Windham, CPA  
Charles M. Reed, Jr., CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### Report on Compliance for Each Major Federal Program

I have audited Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's major federal programs for the year ended December 31, 2013. Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's compliance.

### Opinion on Each Major Federal Program

In my opinion, Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### Report on Internal Control over Compliance

Management of the Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. 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 over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any purpose.



DeRidder, Louisiana  
May 30, 2014

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the primary government financial statements of the Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana as of and for the year ended December 31, 2013.
2. One significant deficiency was disclosed during the audit of the financial statements and is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financing Statements Performed in Accordance with Government Auditing Standards. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana were disclosed during the audit.
4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose findings related to federal awards that are required to be reported under OMB Circular A-133.
7. The following programs were major for the year ended December 31, 2013:
  - Capitalization Grants for Drinking Water
  - Revolving Funds – CFDA 66.468
8. \$300,000 was the threshold used to distinguish Type A and Type B programs.
9. The Waterworks District No. 3 of the Parish of Beauregard, State of Louisiana did not qualify as a low-risk auditee.