

WATERWORKS DISTRICT NO. 5  
OF THE PARISH OF BEAUREGARD  
BEAUREGARD PARISH POLICE JURY  
STATE OF LOUISIANA

ANNUAL FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

## Table of Contents

	Statement	Page(s)
INDEPENDENT AUDITOR’S REPORT	-	1-2
BASIC FINANCIAL STATEMENTS:		
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
Notes to the Financial Statements	-	11-17
	Schedule	Page(s)
Other Supplemental Information		
Schedule of Per Diem Paid to Board Members	1	19
Schedule of Compensation, Benefits and Other Payments to Agency Head	2	20
Other Reports		
Schedule of Prior Year Audit Findings	3	22
Schedule of Current Year Audit Findings and Management’s Response	4	23
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed Accordance with <i>Government Auditing Standards</i>	-	24-25

# Windham & Reed, L.L.C.

*Certified Public Accountants*

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. 5  
of the Parish of Beauregard  
State of Louisiana

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

We have audited the accompanying financial statements of the business-type activities and the major fund of Waterworks District No. 5 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, 2017, and the related notes to the financial statements, which collectively comprise Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana'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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Commissioners  
Waterworks District No. 5  
of the Parish of Beauregard  
State of Louisiana

### Opinions

In our 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 Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana as of December 31, 2017, 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. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana's basic financial statements. The schedule of per diem paid to board members and the schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid to board members and the schedule of compensation, benefits and other payments to agency head 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 our opinion, the schedule of per diem paid to board members and the schedule of compensation, benefits and other payments to agency head 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*, we have also issued our report dated June 1, 2018, on our consideration of the Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on our 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 our 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. 5 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana  
June 1, 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position  
For the Year Ending December 31, 2017

	Business-type Activities - Enterprise Fund Water and Sewer
Assets	
Cash and cash equivalents	\$ 46,926
Receivables:	
Accounts	5,171
Ad valorem taxes - maintenance	46,025
Restricted Assets	
Cash and cash equivalents	109,040
Ad valorem tax receivable - bond	44,801
Capital assets not being depreciated	750
Capital assets being depreciated - net	1,934,167
 Total assets	 \$ 2,186,880
Liabilities	
Accounts payable	\$ 914
Payroll taxes payable	598
Pension payable - ad valorem tax - maintenance	1,797
Liabilities payable from restricted assets	
Accrued interest payable	2,622
Pension payable - ad valorem tax - bond	1,749
Long term liabilities:	
Due within one year	49,846
Due in more than one year	700,749
Customer deposits	14,035
 Total liabilities	 \$ 772,310
Net Position	
Net investment in capital assets	\$ 1,184,322
Restricted for:	
Debt service	99,624
Unrestricted	130,624
 Total net position	 \$ 1,414,570
 Total liabilities and net position	 \$ 2,186,880

The accompanying notes are an integral part of this statement.

Statement of Activities  
 For the Year Ending December 31, 2017

Program Activities	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Net (Expenses)</u> <u>Revenues and Changes</u> <u>in Net Position</u> <u>Business-type</u> <u>Activities</u>
Business-type activities:			
Water system	\$ 176,196	\$ 67,346	\$ (108,850)
General revenues:			
Investment earnings			\$ 1,108
Ad valorem tax receipts			103,434
Miscellaneous			213
Total general revenues			<u>104,755</u>
Change in net position			(4,095)
Net position at beginning of year			<u>1,418,665</u>
Net position at end of year			<u>\$ 1,414,570</u>

The accompanying notes are an integral part of the statement.

Statement of Net Position  
Proprietary Fund  
For the Year Ending December 31, 2017

	<u>Business-type Activities - Enterprise Fund Water and Sewer</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 46,926
Receivables:	
Accounts	5,171
Ad valorem taxes - maintenance	46,025
Total current assets	<u>\$ 98,122</u>
Restricted Assets	
Cash and cash equivalents	\$ 109,040
Ad valorem tax receivable - bond	44,801
Total restricted assets	<u>\$ 153,841</u>
Noncurrent Assets	
Capital assets not being depreciated	\$ 750
Capital assets being depreciated - net	1,934,167
Total noncurrent assets	<u>\$ 1,934,917</u>
Total assets	<u>\$ 2,186,880</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 914
Payroll taxes payable	598
Pension payable - ad valorem tax - maintenance	1,797
Total current liabilities	<u>\$ 3,309</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 2,622
Current portion of revenue bonds	9,846
Current portion G.O. bonds	40,000
Pension payable - ad valorem tax - bond	1,749
Total liabilities payable from restricted assets	<u>\$ 54,217</u>
Noncurrent Liabilities	
Customer deposits	\$ 14,035
Revenue bonds - due in more than one year	571,749
G.O. Bonds - due in more than one year	129,000
Total noncurrent liabilities	<u>\$ 714,784</u>
Total liabilities	<u>\$ 772,310</u>
Net Position	
Net investment in capital assets	\$ 1,184,322
Restricted for:	
Debt service	99,624
Unrestricted	130,624
Total net position	<u>\$ 1,414,570</u>
Total liabilities and net position	<u>\$ 2,186,880</u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ending December 31, 2017

	Business-type Activities - <u>Enterprise Fund</u> Water and <u>Sewer</u>
Operating revenues	
Charges for services	<u>\$ 67,346</u>
Operating expenses	
Personal services and related benefits	\$ 44,703
Travel	4,689
Supplies	11,905
Contractual services	32,963
Depreciation	57,061
Total operating expenses	<u>\$ 151,321</u>
Income (loss) from operations	<u>\$ (83,975)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 1,109
Interest expense	(21,330)
Ad valorem taxes	103,434
Ad valorem taxes - pension expense	(3,546)
Miscellaneous income	213
Total nonoperating revenue (expenses)	<u>\$ 79,880</u>
Change in net position	\$ (4,095)
Net position at beginning of year	<u>\$ 1,418,665</u>
Net position at end of year	<u><u>\$ 1,414,570</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ending December 31, 2017

	Business-type Activities - Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 67,474
Cash payments to suppliers for goods and services	(49,265)
Cash payments to employees for services	(45,155)
Net cash used by operating activities	\$ (26,946)
Cash flows from capital and related financing activities:	
Ad valorem tax collections	\$ 55,453
Pension paid on ad valorem taxes	(1,622)
Principal paid on debt	(48,578)
Interest paid on long term debt	(21,792)
Net cash used for capital and related financing activities	\$ (16,539)
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 59,664
Pension paid on ad valorem taxes	(1,887)
Miscellaneous income	213
Net cash provided by non-capital and related financing activities	\$ 57,990
Cash flow from investing activities:	
Investment income	\$ 1,109
Net increase (decrease) in cash and cash investments	\$ 15,614
Cash and cash equivalents, beginning	140,352
Cash and cash equivalents, ending	\$ 155,966

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
For the Year Ending December 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Loss from operations	<u>\$ (83,975)</u>
Adjustments to reconcile loss from operations to net cash used by operating activities:	
Depreciation	\$ 57,061
Change in assets and liabilities:	
Increase in accounts receivable	(278)
Increase in accounts payable	292
Decrease in payroll benefits payable	(452)
Increase in customer deposits payable	406
Net cash used by operating activities	<u>\$ (26,946)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements  
As of and for the Year Ending December 31, 2017

## INTRODUCTION

Waterworks District No. 5 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 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 230 residents and employs approximately 2 employees.

The accounting and reporting policies of Waterworks District No. 5 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. 5 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. 5 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Waterworks District No. 5 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. 5 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. 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 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 District'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. 5 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. Restricted Assets**

Certain proceeds of the Enterprise Fund 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.

**F. 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 \$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. The total interest expense incurred during the year was \$21,330. Of this amount none was included as part of the cost of capital assets under construction in connection with the District's construction projects.

Waterworks District No. 5 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>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

**G. Compensated Absences**

The District has the following policy relating to annual leave:

The District has no formal leave policy and does not provide for the accumulation and vesting of unused leave.

**H. 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 bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**I. 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.

**J. 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.

**K. Restricted Net Position**

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

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**L. Receivables and Payables**

The District levies taxes on real and business personal property located within the boundaries of the District. Property taxes are levied by the District on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the District. Collections are remitted to the District monthly. The District recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2017
Levy date	June 30, 2017
Tax bills mailed	October 15, 2017
Total taxes are due	December 31, 2017
Penalties & interest due	January 31, 2018
Lien date	January 31, 2018
Tax sale	May 15, 2018

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established.

For the year ended December 31, 2017, taxes of 15.00 and 15.41 mills were levied on property with an assessed valuations totaling \$3,401,845 were dedicated as follows:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General Maintenance	15.41	15.41	Annually
Bond Retirement	15.00	15.00	12/31/2018

The following are principal taxpayers and related property tax revenue for the District:

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
Rice Land Lumber Company	Wood products	\$ 505,646	14.86%	\$ 15,377
Beauregard Electric Co-Op	Utility company	318,750	9.37%	9,693
Cleco Power LLC	Utility company	327,010	9.61%	9,944
Caskids Operating Company	Oil & Gas	246,879	7.26%	7,508
Marquee Corporation	Oil & Gas	300,704	8.84%	9,144
Total		\$ 1,698,989	49.94%	\$ 51,666

**2. CASH AND CASH EQUIVALENTS**

At December 31, 2017, the District has cash (book balances) totaling \$155,966 as follows:

NOW accounts	\$ 155,866
Petty cash	100
Total	\$ 155,966

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

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, 2017, the District has \$164,029 in deposits (collected bank balances). These deposits are secured from risk by \$164,029 of federal deposit insurance.

**3. RECEIVABLES**

The receivables of \$95,997 at December 31, 2017, are as follows:

Class of receivable	Proprietary Fund
Customer accounts	\$ 5,171
Ad valorem taxes - bond	44,801
Ad valorem taxes - maintenance	46,025
Total	\$ 95,997

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2017, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 750	\$ -	\$ -	\$ 750
Capital assets being depreciated				
Vehicles	\$ 2,000	\$ -	\$ -	\$ 2,000
Buildings and wells	194,070	-	-	194,070
Improvements	2,111,599	-	-	2,111,599
Machinery and equipment	127,091	-	-	127,091
Total capital assets being depreciated	\$ 2,434,760	\$ -	\$ -	\$ 2,434,760
Less accumulated depreciation for:				
Vehicles	\$ 667	\$ 400	\$ -	\$ 1,067
Buildings and wells	186,176	2,045	-	188,221
Improvements	138,093	53,259	-	191,352
Machinery and equipment	118,597	1,356	-	119,953
Total accumulated depreciation	\$ 443,533	\$ 57,060	\$ -	\$ 500,593
Total business-type assets being depreciated, net	\$ 1,991,227	\$ (57,060)	\$ -	\$ 1,934,167

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**5. ACCOUNTS AND OTHER PAYABLES**

The payables of \$21,715 at December 31, 2017, are as follows:

	Proprietary Fund
Accounts	\$ 914
Payroll taxes	598
Pension - ad valorem tax	3,546
Accrued interest	2,622
Customer deposits	14,035
Total	\$ 21,715

**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. The Federal Social Security System administrates the plan and pays benefits.

**7. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term debt transactions of the District for the year ended December 31, 2017:

	General Obligation Bonds	Water Revenue Bonds	Total
Bonds payable, January 1, 2017	\$ 208,000	\$ 591,173	\$ 799,173
Bond proceeds	-	-	-
Bonds retired	(39,000)	(9,578)	(48,578)
Bonds payable, December 31, 2017	\$ 169,000	\$ 581,595	\$ 750,595

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, 2017:

	General Obligation Bonds	Water Revenue Bonds	Total
Current portion	\$ 40,000	\$ 9,846	\$ 49,846
Long-term portion	129,000	571,749	700,749
Total	\$ 169,000	\$ 581,595	\$ 750,595

Bonds and note payable at December 31, 2017 are comprised of the following individual issues:

General Obligation Bonds:

\$344,000 General Obligation Bonds, Series 2012,  
dated January 18, 2012, due in annual installments of \$25,000 to  
\$44,000 beginning March 1, 2013 through March 1, 2021;  
interest at 3.00%

\$169,000

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Concluded)

Water Revenue Bonds:

\$614,000 Water Revenue Bonds, Series 2013,  
dated June 13, 2013, due in monthly installments of \$2,143  
beginning July 13, 2014 through May 13, 2053; interest at 2.75% \$581,595

The annual requirements to amortize all debt outstanding as of December 31, 2017, including interest payments of \$341,485 is as follows:

Year Ending	General Obligation Bonds		Water Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2018	\$ 40,000	\$ 4,470	\$ 9,795	\$ 15,921	\$ 70,186
2019	42,000	3,240	10,068	15,648	70,956
2020	43,000	1,965	10,350	15,366	70,681
2021	44,000	660	10,639	15,077	70,376
2022	-	-	10,936	14,780	25,716
2023 - 2027	-	-	59,435	69,145	128,580
2028 - 2032	-	-	68,210	60,370	128,580
2033 - 2037	-	-	78,284	50,296	128,580
2038 - 2042	-	-	89,845	38,735	128,580
2043 - 2047	-	-	103,112	25,468	128,580
2048 - 2052	-	-	118,339	10,241	128,580
2053	-	-	12,582	103	12,685
<b>Totals</b>	<b>\$ 169,000</b>	<b>\$ 10,335</b>	<b>\$ 581,595</b>	<b>\$ 331,150</b>	<b>\$ 1,092,080</b>

In accordance with R.S. 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At December 31, 2017, the statutory limit is \$1,190,646 and outstanding bonded debt totals \$750,595.

**8. RESTRICTED NET POSITION**

RESTRICTED ASSETS

General Obligation Bond Sinking Fund	\$ 15,869
Water Revenue Bond Sinking Fund	1,507
Depreciation Contingency Fund	59,186
Bond Reserve Fund	25,603
Contingency Reserve Fund	6,875
Ad valorem tax receivable - bond	44,801
<b>Total</b>	<b>\$ 153,841</b>

Less:

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Current portion of General Obligation Bonds	\$ 40,000
Current portion of Water Revenue Bonds	9,846
Accrued interest on General Obligation Bonds	2,622
Ad valorem tax pension payable - bond	1,749
<b>Total</b>	<b>\$ 54,217</b>

Restricted net position **\$ 99,624**

OTHER SUPPLEMENTAL INFORMATION

Waterworks District No. 5 of the Parish of Beauregard  
State of Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members  
For the Year Ending December 31, 2017

<u>Board Member</u>	<u>Amount</u>
Earl Franks	\$ 650
Warren Cooley	550
Wesley Jeans	550
Mike Franks	500
Cary Cooley	<u>600</u>
Total	<u>\$ 2,850</u>

Schedule of Compensation, Benefits and  
Other Payments to Agency Head  
For the Year Ended December 31, 2017

Agency Head Name - Earl Franks

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 650
Benefits - insurance	-
Benefits - retirement	-
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	600
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	1,800
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

## OTHER REPORTS

Schedule of Prior Year Audit Findings  
For the Year Ending December 31, 2017

Finding – Financial Statement Audit

Audit Finding No. 2016-1

IRS Federal Payroll Tax Returns not filed

Condition: Federal form 941 for the first quarter of year 2016 was never prepared and filed even though the federal payroll tax deposits had been made monthly. State unemployment report for the fourth quarter was not prepared nor filed timely.

Criteria: Federal and state law require that payroll tax returns be completed and filed within one month after the end of each quarter.

Cause and Condition: The clerk did not remember to file the required forms and a lack of monitoring did not catch the error.

Effect of Condition: The District is not in compliance with federal and state regulations that govern the timely reporting of payroll taxes to the governments.

Recommendation: We recommend that these returns be prepared and filed with the taxing authorities as soon as possible. We recommend that future returns be monitored by a responsible individual to see that these returns are timely prepared and filed. We also recommend that an outside CPA be retained to monitor these filings along with other quarterly financial information.

Date of Initial Occurrence - December 31, 2015

Corrective Action Taken - Yes

Schedule of Current Year Audit Findings and Management's Response  
For the Year Ending December 31, 2017

There were no current year audit findings as of December 31, 2017.

# Windham & Reed, L.L.C.

*Certified Public Accountants*

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.5  
of the Parish of Beauregard  
State of Louisiana

We 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. 5 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued our report thereon dated June 1, 2018.

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

In planning and performing our audit of the financial statements, we considered Waterworks District No. 5 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 5 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 5 of the Parish of Beauregard, State of Louisiana's financial statements are free from material misstatement, we 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 our audit and accordingly, we do not express such an opinion. The results of our 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 our 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 J. M. Windham, CPA in black ink.

DeRidder, Louisiana  
June 1, 2018