

**Town of Waterproof, Louisiana****Annual Financial Statements****As of June 30, 2006  
and for the Year then Ended**

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 1-31-07

**Town of Waterproof, Louisiana  
Annual Financial Statements  
As of and for the Year Ended June 30, 2008  
With Supplemental Information Schedules**

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**Section I**

**Required Supplemental Information**

**TOWN OF WATERPROOF, LOUISIANA  
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2006**

**INTRODUCTION**

The discussion and analysis (MD&A) of the Town of Waterproof, Louisiana's financial performance provides an overall narrative review of the Town's financial activities for the years ended June 30, 2006 and June 30, 2005. The intent of this discussion and analysis is to look at the Town's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Town's financial performance.

The Town of Waterproof, Louisiana is located on Highway 65 in South Tensas Parish, Louisiana.

**FINANCIAL HIGHLIGHTS**

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2006, the Town of Waterproof, Louisiana's net assets decreased and resulted in ending net assets of \$2,326,827 at June 30, 2006. Net assets decreased during the year ended June 30, 2005 and resulted in net assets of \$2,441,886.

1. The cash balance for the Town of Waterproof was \$67,611 at June 30, 2004. The balance was \$138,156 at June 30, 2005 and \$109,446 at June 30, 2006.
2. The governmental activities had \$103,750 in revenues in 2006 and \$150,439 in 2005. These revenues primarily consisted of fines, sales taxes, ad valorem taxes and occupational licenses. Governmental activities had \$162,994 in expenditures in 2006 and \$194,688 in 2005.

The Town's business activities had \$610,962 in revenues in 2006 and \$590,843 in 2005. Revenues consisted primarily of gas and water sales. Business activities had \$666,777 in expenditures in 2006 and \$658,722 in 2005.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Waterproof, Louisiana's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Town's net assets changed during the most recent fiscal year.

The government-wide financial statements can be found on pages 9-10 of this report.

**TOWN OF WATERPROOF, LOUISIANA  
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2006**

**Fund Financial Statements.** A fund is an accountability unit to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The basic governmental fund financial statements are presented on pages 11 - 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 20 - 29 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$2,326,827 as of June 30, 2006.

The following is a condensed statement of the Town of Waterproof, Louisiana's net assets as of June 30, 2006 and 2005:

	Governmental Activities	Business Type Activities	2006	2005
Current Assets	\$ 57,593	\$ 94,084	\$ 151,677	\$ 153,903
Restricted Assets	-	65,018	65,018	126,325
Noncurrent Assets - Capital Assets	<u>362,160</u>	<u>2,527,005</u>	<u>2,889,165</u>	<u>3,074,434</u>
<b>Total Assets</b>	<u>419,753</u>	<u>2,686,107</u>	<u>3,105,860</u>	<u>3,354,662</u>
Current Liabilities	97,391	132,675	230,066	321,716
Current Liabilities - Payable from Restricted Assets	-	32,509	32,509	47,519
Long-term Liabilities	17,417	495,261	512,678	540,541
Accrued compensated absences	<u>3,780</u>	<u>-</u>	<u>3,780</u>	<u>3,000</u>
<b>Total Liabilities</b>	<u>118,588</u>	<u>660,445</u>	<u>779,033</u>	<u>912,776</u>
<b>Net assets</b>				
Investment in capital assets, net of related debt	319,525	2,013,437	2,332,962	2,516,652
Restricted for debt service and deposits	-	65,018	65,018	126,325
Unrestricted (Deficit)	<u>(18,360)</u>	<u>(52,793)</u>	<u>(71,153)</u>	<u>(201,091)</u>
<b>Total Net Assets</b>	<u>\$ 301,165</u>	<u>\$ 2,025,662</u>	<u>\$ 2,326,827</u>	<u>\$ 2,441,886</u>

**TOWN OF WATERPROOF, LOUISIANA  
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2006**

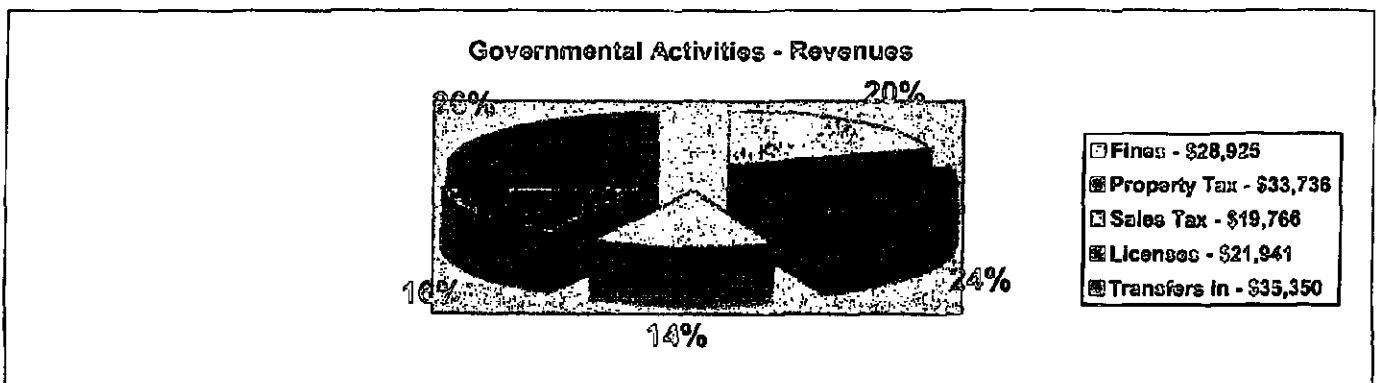
The following is a summary of the statement of activities:

	Governmental Activities	Business Type Activities	2006	2005
<b>Revenues:</b>				
Program revenues	\$ 142,033	\$ 610,962	\$ 752,995	\$ 617,633
Operating grants	(38,283)	-	(38,283)	99,650
Transfers	35,350	(35,350)	-	-
<b>Total Revenues and Transfers</b>	<u>139,100</u>	<u>575,612</u>	<u>714,712</u>	<u>717,283</u>
<b>Expenses:</b>				
General government	61,253	-	61,253	121,824
Public safety	100,301	-	100,301	65,380
Interest on debt	1,440	-	1,440	7,170
Combined utility	-	666,777	666,777	608,722
<b>Total Expenses</b>	<u>162,994</u>	<u>666,777</u>	<u>829,771</u>	<u>803,096</u>
Decrease in net assets	(23,894)	(91,165)	(115,059)	(85,813)
Net assets beginning	325,059	2,116,827	2,441,886	2,527,699
Net assets ending	<u>\$ 301,165</u>	<u>\$ 2,025,662</u>	<u>\$ 2,326,827</u>	<u>\$ 2,441,886</u>

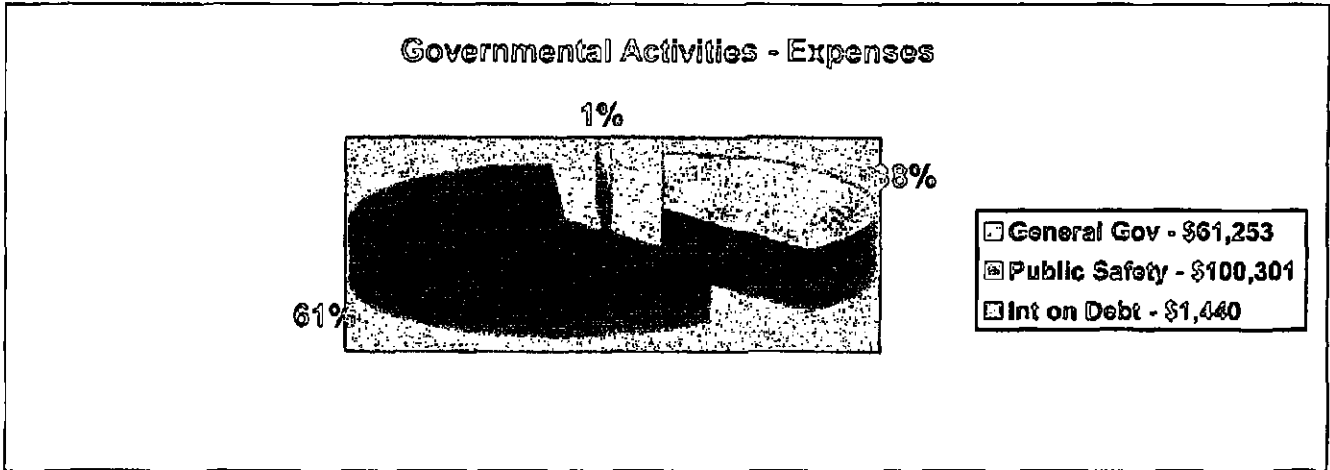
**Governmental Activities**

The Governmental Activities of the Town include General Government, Public Safety, and Payment of Interest on Long Term Debt. Because revenues normally associated with municipal operations, (e.g. sales tax, property tax, franchise fees, license fees, sanitation fees, permits, fines and operating grants) are insufficient for the funding of these activities; the Town relies on transfers of excess revenue from its enterprise funds to cover the cost of all activities.

The following are a graphical representation of information presented in the Statement of Activities for Governmental Activities:



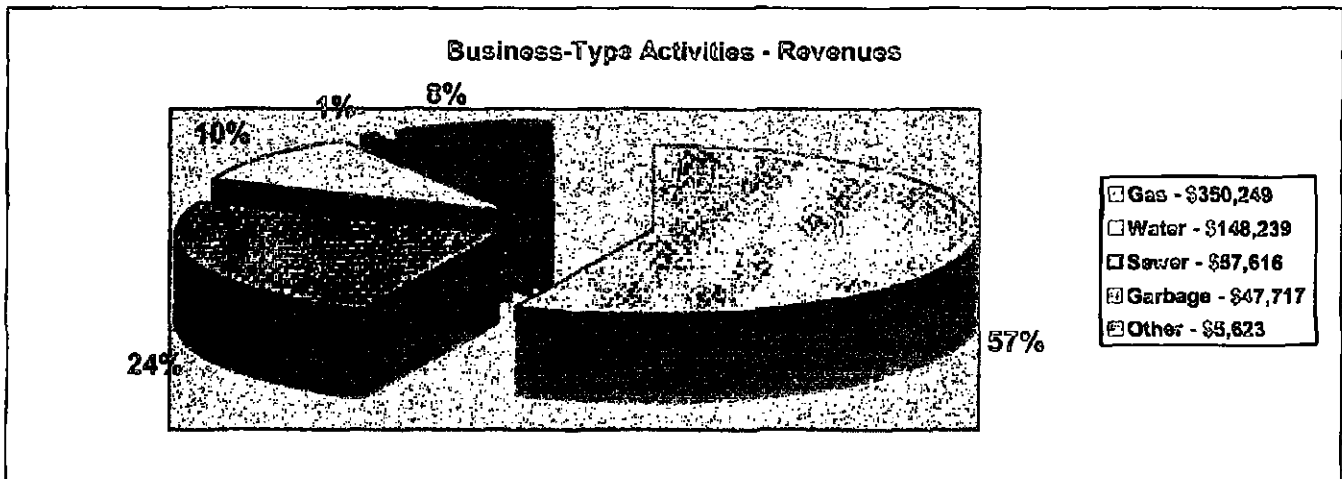
TOWN OF WATERPROOF, LOUISIANA  
 MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
 YEAR ENDED JUNE 30, 2006



**Business Type Activities**

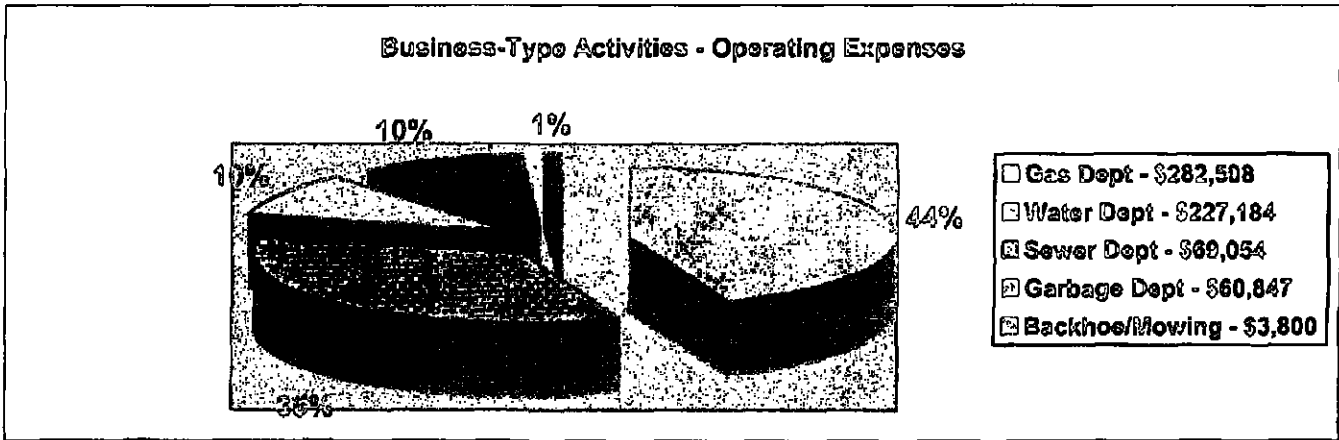
The Business-Type Activities of the Town include revenues resulting from fees charged customers.

The following presents in graphs the information from the Statement of Activities for the Business-Type Activities:





TOWN OF WATERPROOF, LOUISIANA  
 MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
 YEAR ENDED JUNE 30, 2006



The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

**CAPITAL ASSETS, DEBT and CHANGES IN TAXES**

As of June 30, 2006, the Town had \$6,062,184 invested in capital assets net of accumulated depreciation of \$3,173,099.

The following capital assets were purchased during 2006:

Computer	\$	1,906
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As of June 30, 2006, the Town had outstanding long-term debt of \$556,310. Principal payments of \$67,403 are due to be paid during the next fiscal year. The debt is as follows:

**TOWN OF WATERPROOF, LOUISIANA  
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2006**

Water Revenue Bonds - \$534,881 in revenue bonds due in annual installments of \$31,181 through July 2035, bearing interest at a rate of .5%	\$ 503,783
Grant repayment to the Department of Justice for the 1999/2000 COPS grant due in monthly installments of \$1,168 through August 2008, bearing interest at a rate of 1%	31,195
Notes Payable - \$50,000 in notes payable due in annual installments of \$12,191 through August 2006, bearing interest at a rate of 6%	9,892
Notes Payable - \$25,545 in notes payable due in quarterly installments of \$1,792 through April 2007, bearing interest at a rate of 5.5%	6,926
Capital Leases - \$35,541 of capital leases due in annual installments of \$10,649 through July 2006, bearing interest at a rate of 7.66%	<u>4,514</u>
Total	<u>\$ 556,310</u>

In July of 2005, the Town passed a new 14 mill ad valorem tax which is expected to produce approximately \$24,000 annually. These funds may be used for any lawful purpose.

The Town of Waterproof has entered into a contract with the Tensas Rural Water Association to begin providing the water sold to Town residents for a more economical rate than the Town is now paying to produce their own water. The Association is scheduled to begin providing water in early January, 2007.

**REQUEST FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Connie McKeel at (318) 749-5233.

**Section II**  
**Basic Financial Statements**

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**INDEPENDENT AUDITOR'S REPORT**

The Mayor and the Board of Aldermen  
Town of Waterproof  
Waterproof, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waterproof, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Waterproof's management. My responsibility is to express an opinion on these financial statements based on my audit.

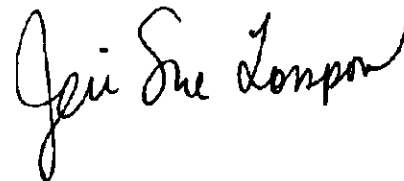
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 the 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waterproof, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note K, the Town of Waterproof has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 20, 2006, on my consideration of the Town of Waterproof'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis and budgetary comparison information on pages 1 through 6 and 30 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Jui Sue Lonpo".

Ferriday, Louisiana

December 20, 2006

**Town of Waterproof  
Statement of Net Assets  
June 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash	\$ 16,750	\$ 27,678	\$ 44,428
Receivables (net of \$56,100 allowance for uncollectibles)	40,843	60,988	101,831
Accrued interest receivable		205	205
Inventory		4,587	4,587
Prepaid expenses		626	626
Restricted assets		65,018	65,018
Capital assets (net)	362,160	2,527,005	2,889,165
<b>TOTAL ASSETS</b>	<b>\$ 419,753</b>	<b>\$ 2,686,107</b>	<b>\$ 3,105,860</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts payable	\$ 41,122	\$ 80,804	\$ 121,926
Accrued payroll taxes	31,051	33,564	64,615
Accrued compensated absences	3,780		3,780
Customer deposits		32,509	32,509
Current portion of long term obligations	25,218	18,307	43,525
Total Current Liabilities	\$ 101,171	\$ 165,184	\$ 266,355
Non-current Liabilities			
Non-current portion of long term obligations	17,417	495,261	512,678
<b>TOTAL LIABILITIES</b>	<b>\$ 118,588</b>	<b>\$ 660,445</b>	<b>\$ 779,033</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 319,525	\$ 2,013,438	\$ 2,332,963
Restricted for:			
Debt service		31,123	31,123
Grant expenditure		3,785	3,785
Unrestricted	(18,360)	(22,684)	(41,044)
<b>TOTAL NET ASSETS</b>	<b>\$ 301,165</b>	<b>\$ 2,025,662</b>	<b>\$ 2,326,827</b>

See accompanying notes to financial statements.

**Town of Waterproof**  
**Statement of Activities**  
**For the year ended June 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Governmental Activities</u>						
General government	\$ 61,253	\$ 7,528	\$ 3,156	\$ (50,569)		\$ (50,569)
Public safety	100,301	28,925	(41,439)	(112,815)		(112,815)
Interest on long-term debt	1,440			(1,440)		(1,440)
<b>Total Governmental Activities</b>	<b>\$ 162,994</b>	<b>\$ 36,453</b>	<b>\$ (38,283)</b>	<b>\$ (164,824)</b>		<b>\$ (164,824)</b>
<u>Business-type Activities</u>						
Utilities	\$ 666,777	\$ 610,962	\$		\$ (55,815)	\$ (55,815)
<u>General Revenues</u>						
Taxes						
Property taxes				\$ 33,736		\$ 33,736
Sales taxes				19,766		19,766
Franchise taxes				11,996		11,996
Occupational licenses				21,941		21,941
Other taxes				18,141		18,141
Transfers - internal activities				35,350	(35,350)	0
<b>Total General Revenues</b>				<b>\$ 140,930</b>	<b>(35,350)</b>	<b>\$ 105,580</b>
<b>Change in Net Assets</b>				<b>\$ (23,894)</b>	<b>\$ (91,165)</b>	<b>\$ (115,059)</b>
<b>Net Assets, July 1, 2005</b>				<b>325,059</b>	<b>2,116,827</b>	<b>2,441,886</b>
<b>Net Assets, June 30, 2006</b>				<b>\$ 301,165</b>	<b>\$ 2,025,662</b>	<b>\$ 2,326,827</b>

See accompanying notes to financial statements.

**Town of Waterproof**  
**Governmental Funds Balance Sheet**  
**June 30, 2006**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Public Facilities Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash	\$ 16,750	\$ 0	\$ 0	\$ 16,750
Fines receivable (net of \$35,000 allowance for uncollectible fines)	<u>40,843</u>			<u>40,843</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 57,593</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 57,593</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 41,122			\$ 41,122
Accrued payroll taxes and withholdings	31,051			31,051
Accrued compensated absences	<u>3,780</u>			<u>3,780</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 75,953</u></b>			<b><u>\$ 75,953</u></b>
<b><u>FUND BALANCES</u></b>				
Unreserved	<u>\$ (18,360)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (18,360)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$ (18,360)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ (18,360)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 57,593</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 57,593</u></b>

See accompanying notes to financial statements.



**Town of Waterproof**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2006**

Fund Balances - total governmental funds \$ (18,360)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 642,462	
Less accumulated depreciation	<u>280,302</u>	362,160

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:

Loans for capital asset acquisition		(11,440)
Amounts due to repay grants		<u>(31,195)</u>

Net Assets of Governmental Activities \$ 301,165

See accompanying notes to financial statements.

**Town of Waterproof  
Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the years ended June 30, 2006**

	General Fund	Debt Service Fund	Public Facilities Fund	Total
<b>REVENUES</b>				
Taxes	\$ 83,638			\$ 83,638
Licenses and permits	21,941			21,941
Intergovernmental				
Federal funds			\$ 90,410	90,410
State funds - operating grant				
Fines	28,925			28,925
Miscellaneous	10,684			10,684
<b>Total Revenues</b>	<b>\$ 145,188</b>	<b>\$ 0</b>	<b>\$ 90,410</b>	<b>\$ 235,598</b>
<b>EXPENDITURES</b>				
Current				
General government	\$ 61,251			\$ 61,251
Public safety	74,465			74,465
Capital outlay	1,908		\$ 90,410	92,318
Debt service				
Principal		\$ 25,693		25,693
Interest		1,245		1,245
<b>Total Expenditures</b>	<b>\$ 137,622</b>	<b>\$ 26,938</b>	<b>\$ 90,410</b>	<b>\$ 254,970</b>
<b>Excess(Deficit) of Revenues Over (Under) Expendit</b>	<b>\$ 7,566</b>	<b>\$ (26,938)</b>	<b>\$ 0</b>	<b>\$ (19,372)</b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	\$ 35,350	\$ 26,938		\$ 62,288
Transfers out	(26,938)			(26,938)
<b>Total Other Financing Sources and (Uses)</b>	<b>\$ 8,412</b>	<b>\$ 26,938</b>	<b>\$ 0</b>	<b>\$ 35,350</b>
<b>Net Change in Fund Balance</b>	<b>\$ 15,978</b>	<b>0</b>		<b>\$ 15,978</b>
<b>Fund balance - Beginning of year</b>	<b>(34,338)</b>			<b>(34,338)</b>
<b>Fund balance - End of year</b>	<b>\$ (18,360)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (18,360)</b>

See accompanying notes to financial statements.

**Town of Waterproof**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance**  
**to the Statement of Activities - Governmental Funds**  
**Governmental Funds**  
**June 30, 2006**

Net Change in Fund Balances - total governmental funds		\$ 15,978
Amounts reported for governmental activities in the Statement of Activities are different because:		
An amount due for repayment of prior grants is recorded as expended in the governmental funds, but expensed currently in the Statement of Activities and set up as a long term debt payable		
		(41,439)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 1,906	
Less current year depreciation	<u>(25,836)</u>	(23,930)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		
Repayment of debt		14,978
Repayment of grants		<u>10,520</u>
Changes in Net Assets of Governmental Funds		<u>\$ (23,893)</u>

See accompanying notes to financial statements.

**Town of Waterproof  
Utility Enterprise Fund  
Statement of Net Assets  
June 30, 2006**

**ASSETS**

<b>Current Assets</b>	
Cash (Note 3)	\$ 27,678
Accounts receivable, utility sales (Note 5)(Less allowance for doubtful accounts of \$21,500)	60,988
Accrued interest receivable	205
Prepaid expenses	626
Inventory	4,587
Total current assets	<u>\$ 94,084</u>
 <b>Non-Current Assets - Restricted Assets (Note 4)</b>	
Bond Debt Service Fund	\$ 14,282
Depreciation Fund	16,840
Consumer Deposits	30,111
USDA Garbage Grant	3,785
Total non-current assets - restricted assets	<u>\$ 65,018</u>
 <b>Non-Current Assets - Capital Assets (Note 6)</b>	
Property, plant and equipment	\$ 5,419,722
Less accumulated depreciation	(2,892,717)
Total non-current assets - capital assets	<u>\$ 2,527,005</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 2,686,107</b></u>

**LIABILITIES**

<b>Current Liabilities (Payable from current assets)</b>	
Accounts payable	\$ 80,804
Payroll taxes and withholdings payable	33,564
Total current liabilities (payable from current assets)	<u>\$ 114,368</u>
 <b>Current Liabilities (Payable from restricted assets)</b>	
Consumer deposits	\$ 32,509
Notes payable, current portion (Note 7)	18,307
Total current liabilities (payable from restricted assets)	<u>\$ 50,816</u>
 <b>Long Term Liabilities</b>	
Notes payable (Note 7)	<u>\$ 495,261</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 660,445</b></u>

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 2,013,438
Restricted for debt service	31,123
Restricted for grant expenditures	3,785
Unrestricted	<u>(22,684)</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 2,025,662</b></u>

See accompanying notes to financial statements.

**Town of Waterproof  
Utility Enterprise Fund  
Statement of Revenues and Expenses  
and Changes in Net Assets  
For the years ended June 30, 2006**

OPERATING REVENUES

Charges for services:		
Gas sales	\$	350,249
Water sales		148,239
Sewer sales		57,616
Garbage sales		47,717
Backhoe and mowing charges		1,605
Miscellaneous revenues		4,018
Total Operating Revenues	\$	<u>609,444</u>

OPERATING EXPENSES

Gas department expenses	\$	282,508
Water department expenses		227,184
Sewer department expenses		69,054
Garbage department expenses		60,847
Backhoe and mowing expenses		3,800
Total Operating Expenses	\$	<u>643,393</u>

OPERATING INCOME (LOSS) \$ (33,949)

NONOPERATING REVENUES (EXPENSES)

Interest earned	\$	1,518
Interest expense		(23,384)
Total Other Financing Sources and (Uses)	\$	<u>(21,866)</u>

INCOME BEFORE TRANSFERS \$ (55,815)

OPERATING TRANSFERS

Transfers in		
Transfers out		<u>(35,350)</u>

CHANGE IN NET ASSETS \$ (91,165)

Total Net Assets - beginning of year 2,116,827

Total Net Assets - end of year \$ 2,025,662

See accompanying notes to financial statements.

**Town of Waterproof**  
**Utility Enterprise Fund**  
**Statement of Operating Expenses**  
**For the years ended June 30, 2006**

<b>Gas department expenses</b>		
Salaries	\$	26,581
Payroll taxes		2,058
Gas purchases		212,735
Gas leak survey and insurance		2,646
Utilities and telephone		(1,321)
Repairs		248
Supplies		1,141
Truck		552
Office supplies		509
Legal and accounting		2,580
Dues		396
Miscellaneous		1,378
Insurance		1,343
Postage		417
Seminar and travel		1,962
Depreciation		29,283
Total gas department expense	\$	<u>282,508</u>

<b>Water department expenses</b>		
Salaries	\$	26,805
Payroll taxes		3,094
Advertising		97
Consultant fees		20,296
Utilities and telephone		18,766
Repairs		2,752
Supplies		2,571
Chemicals		35,510
Truck		112
Bad debts		8,134
Travel and seminars		35
Insurance		4,351
Office supplies		1,016
Legal & Accounting		8,880
Dues		2,249
Miscellaneous		1,932
Drug testing		344
Postage		1,300
Depreciation		87,571
Penalties		1,369
Total water department expense	\$	<u>227,184</u>

See accompanying notes to financial statements.

**Town of Waterproof**  
**Utility Enterprise Fund**  
**Statement of Operating Expenses**  
**For the years ended June 30, 2006**

<b>Sewer department expenses</b>	
Salaries	\$ 15,098
Payroll taxes	1,322
Utilities and telephone	6,884
Repairs	6,127
Supplies	4,170
Chemicals	656
EPA tests	5,445
Insurance	150
Postage	155
Office supply and miscellaneous	(43)
Advertising	663
Depreciation	28,427
<b>Total sewer department expense</b>	<b>\$ 69,054</b>
<b>Garbage department expenses</b>	
Salaries	\$ 31,610
Payroll Taxes	2,418
Repairs	(123)
Supplies	5,650
Truck	(194)
Insurance	3,292
Postage and office supply	1,272
Telephone and utilities	964
Depreciation	15,958
<b>Total garbage department expense</b>	<b>\$ 60,847</b>
<b>Backhoe and mowing expenses</b>	
Salaries	\$ 1,840
Payroll taxes	173
Repairs	402
Supplies	724
Repairs	481
Depreciation	180
	<b>\$ 3,800</b>
<b>Total Operating Expenses</b>	<b>\$ 643,393</b>

See accompanying notes to financial statements.

**Town of Waterproof  
Utility Enterprise Fund  
Statement of Cash Flows  
For the years ended June 30, 2006**

<b>Cash flows from operating activities</b>	
Cash received from utility sales	\$ 635,690
Cash paid to suppliers and employees	(580,185)
Net cash provided by operating activities	<u>\$ 55,505</u>
<b>Cash flows from capital and related financing activities</b>	
Principal paid on notes payable	\$ (17,601)
Interest paid on notes payable	(23,579)
State grant	
Interest income	1,451
Transfers to other funds	(35,350)
Total cash used for financing activities	<u>\$ (75,079)</u>
<b>Cash flows from investing activities</b>	
Purchase and construction of fixed assets	
Total cash used for investing activities	<u>\$ 0</u>
Net increase (decrease) in cash	\$ (19,574)
Cash at beginning of year	<u>112,270</u>
Cash at end of year	<u>\$ 92,696</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (33,949)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	161,419
<b>Changes in assets and liabilities:</b>	
Decrease in accounts receivable	26,247
Increase in accrued interest receivable	
Increase in inventory	(1,332)
Decrease in accounts payable	(110,993)
Increase in taxes payable	11,688
Increase in consumer deposits	<u>2,426</u>
Net cash provided by operating activities	<u>\$ 55,506</u>

See accompanying notes to financial statements.



**Town of Waterproof, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended June 30, 2006**

**INTRODUCTION**

The Town of Waterproof is a municipal corporation governed by an elected mayor

1. The Town of Waterproof, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1862.
2. The purpose of a municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Alderman consists of five elected members that are paid \$250 per month.
4. The Town of Waterproof is located in the southern portion of Tensas Parish, Louisiana. Tensas Parish is located in northeastern Louisiana.
5. The population of Waterproof is 1,082.
6. The Town of Waterproof has 12 full time employees.
7. The Town of Waterproof has approximately 400 utility customers.

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 municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

**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 primary government. 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 meetings 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. Major individual governmental funds and major 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.

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. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

The Debt Service Fund accounts for long term debt and its repayment.

The Public Facilities Fund accounts for grants and loans used for construction of major physical public infrastructure assets.

The municipality reports the following major proprietary funds:

The Utility Enterprise Fund - accounts for operations (a) where the intent of the governing body is that 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. In the case of the Town of Waterproof, this includes the operation of the Town's gas, water, garbage and sewer systems.

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, including special assessments. 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. The principal operating revenues of the proprietary funds are the sales of water, gas, garbage and sewer services to both residential and commercial customers. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, 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 municipality's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **C. Deposits**

The municipality'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 municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

#### **D. Receivables and Payables**

All fine and utility charges receivables are shown net of an allowance for uncollectible. The amounts allocated are based on average amounts receivable and in arrears.

Property taxes attach as an enforceable lien as of January 1 of each year. Taxes are levied in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

The following is a summary of authorized and levied ad valorem taxes:

General fund	21.52 mills
--------------	-------------

The Town has levied a .75% sales tax on sales within the legal limits of the Town. The proceeds of the sales tax are dedicated to:

1. Payment of general operating expenses of the town;
2. Payment of all or part of capital improvements;
3. Maintenance or operation of capital improvements; and

4. Any one or all of the aforementioned purposes.

**E. Inventories and Prepaid Items**

All inventories are valued at the lower of cost or market. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. 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 assets of the business-type funds of the Town of Waterproof, Louisiana, have been restricted for debt service, grant expenditures and customers' deposits and these assets total \$65,018.

**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 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 municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

As a Phase III government under the provisions of GASB 34, the Town of Waterproof has chosen not to retroactively capitalize infrastructure 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.

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

Gas lines, sewer lines and water plant	50 years
Vehicles and equipment	3 to 10 years

**H. Compensated Absences**

The municipality has the following policy relating to vacation and sick leave:

The Town grants one week vacation after one year of service and two weeks vacation after two years of service. Each employee is entitled to ten sick days per year. Vacation or sick pay does not accumulate. The Town's policy concerning compensation for unpaid vacation pay or sick pay is that upon termination of an employee, vacation days and sick days not previously used by the employee are not reimbursed.

**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 applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**K. Comparative Data/Reclassifications**

Due to the changes required by conversion of the financial statements to a format consistent with GASB Statement 34, comparative total data for the prior year has not been presented.

**L. 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.

**M. Encumbrances**

The Town of Waterproof does not use encumbrance accounting.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGETS* The municipality uses the following budget practices:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

8. There were no amendments to the budget.

**DEFICITS** The following individual funds have deficits in unreserved fund balance (net assets) at June 30, 2006:

General	(\$18,360)
Utility	(\$22,684)

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2006, the municipality has cash and cash equivalents (book balances) totaling \$109,446.

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 June 30, 2005, the municipality has \$116,615 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$115,000 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 municipality that the fiscal agent has failed to pay deposited funds upon demand.

**4. RECEIVABLES**

The receivables of \$101,831 at June 30, 2006, are as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Fines	\$ 75,843	
Utility fees		\$82,488
Accrued interest		205
Less allowance for uncollectibles	<u>(35,000)</u>	<u>(21,500)</u>
Total accounts receivable	<u>\$40,843</u>	<u>\$61,193</u>

**5. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2006, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Nondepreciable Assets</b>				
Land	\$ 23,308			\$ 23,308
<b>Depreciable Assets</b>				
Buildings	340,190			340,190
Vehicles	61,968			61,968
Machinery and Equipment	215,090	\$ 1,906		216,996
<b>Totals at Historical Cost</b>	<b>\$ 640,556</b>	<b>\$ 1,906</b>	<b>\$ 0</b>	<b>\$ 642,462</b>
<b>Less Accumulated Depreciation</b>				
Buildings	\$ 65,870	\$ 8,708		\$ 74,578
Vehicles	128,810	7,935		136,745
Machinery and equipment	59,866	9,193		69,059
<b>Total Accumulated Depreciation</b>	<b>\$ 254,546</b>	<b>\$ 25,836</b>	<b>\$ 0</b>	<b>\$ 280,382</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 386,010</b>	<b>\$ (23,930)</b>	<b>\$ 0</b>	<b>\$ 362,080</b>
<b>Business Type Activities</b>				
<b>Nondepreciable Assets</b>				
Land	\$ 38,860			\$ 38,860
<b>Depreciable Assets</b>				
Water system lines and equipment	3,004,977			3,004,977
Gas system lines and equipment	809,106			809,106
Sewer system lines and equipment	1,330,694			1,330,694
Garbage vehicles and equipment	232,523			232,523
Mowing equipment	3,562			3,562
<b>Totals at Historical Cost</b>	<b>\$ 5,419,722</b>	<b>\$ 0</b>		<b>\$ 5,419,722</b>
<b>Less Accumulated Depreciation</b>				
Water system lines and equipment	\$ 1,452,731	\$ 87,571		\$ 1,540,302
Gas system lines and equipment	595,371	28,427		623,798
Sewer system lines and equipment	566,165	29,283		595,448
Garbage vehicles and equipment	113,919	15,958		129,877
Mowing equipment	3,112	180		3,292
<b>Total Accumulated Depreciation</b>	<b>\$ 2,731,298</b>	<b>\$ 161,419</b>		<b>\$ 2,892,717</b>
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 2,688,424</b>	<b>(161,419)</b>		<b>2,527,005</b>
<b>Depreciation Expense was charged to governmental functions as follows:</b>				
Police and Fire	\$ 25,836			

**6. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

Interfund transfers consist of operating transfers between the general fund and the utility fund.

**7. LEASES**

The municipality records items under capital leases as an asset and an obligation in the accompanying financial statements. An analysis of the capital lease held by the Town is included in the analysis of long-term obligations below.

**8. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligations transactions of the Town of Waterproof (general fund and proprietary fund) for the year ended June 30, 2006:

	<u>Bonded Debt</u>	<u>Grants &amp; Notes Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Debt payable at June 30, 2005	\$ 512,089	\$ 26,613	\$ 19,080	\$557,782
Bonds issued				
Debt instituted		41,439		41,439
Bonds retired	<u>8,306</u>	<u>25,417</u>	<u>9,188</u>	<u>42,911</u>
Bonds payable at June 30, 2006	<u>\$ 503,783</u>	<u>\$ 42,635</u>	<u>\$ 9,892</u>	<u>\$556,310</u>

Bonds payable at June 30, 2006 are comprised of the following:

Water Revenue Bonds - \$534,881 in revenue bonds due in annual installments of \$31,181 through July, 2035, bearing interest at a rate of 4.5%	\$ 503,783
Grant repayment to the Department of Justice for the 1999/2000 COPS grant due in monthly installments of \$1,168.91 through August, 2008, bearing interest at a rate of 1%	31,195
Notes Payable - \$50,000 in notes payable due in annual installments of \$12,191 through August, 2006 bearing interest at a rate of 6.0%	9,892
Notes Payable - \$25,545 in notes payable due in quarterly installments of \$1,792.41 through April, 2007 bearing interest at a rate of 5.5%	6,926
Capital Leases - \$35,541 of capital leases due in annual installments of \$10,649 through July, 2006, bearing interest at the rate of 7.66%	<u>4,514</u>
Total	<u>\$ 556,310</u>

The annual requirements to amortize the debt payable outstanding as of June 30, 2006 are as follow:



<u>Year Ended</u>	<u>Bonded Debt</u>	<u>Notes Payable</u>	<u>Capital Lease</u>	<u>Total</u>
2007	31,181	31,596	4,626	67,403
2008	31,181	17,917		49,098
2009	31,181			31,181
2010	31,181			31,181
2011	31,181			31,181
Thereafter	<u>769,818</u>			<u>769,818</u>
	\$925,723	\$49,513	\$4,626	\$ 979,862
Less amounts representing interest	<u>421,940</u>	<u>1,500</u>	<u>112</u>	<u>423,552</u>
	<u>\$ 503,783</u>	<u>\$48,013</u>	<u>\$ 4,514</u>	<u>\$ 556,310</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2006, the statutory limit is \$553,440, and outstanding bonded debt totals \$503,783.

**Bond Indenture Restrictions - Water Revenue Bonds:**

1. The Town shall maintain a reserve fund into which monthly deposits of \$130 will be made. The reserve fund balance was \$14,282 at June 30, 2006. Deposits shall be made into the fund until a balance of \$31,180 has been accumulated into the fund. At June 30, 2006, the Town was in compliance with this covenant.
2. The Town shall maintain a contingency fund into which monthly deposits of \$129 will be made. The depreciation fund balance was \$16,840 at June 30, 2006. At June 30, 2006, the Town was in compliance with this covenant.

**9. RETIREMENT SYSTEMS**

Employees of the Town of Waterproof are all members of the Federal social security system and are covered by no other retirement plan. The employer portion of the social security payroll tax is reflected in payroll taxes in the various statements of income.

**10. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCES**

Net assets of the utility fund were restricted in the amount of \$31,123 to represent amounts set aside as required by debt service covenants and amounts of \$3,785 were set aside as grant proceeds pledged to purchase certain assets.

**11. SEGMENT INFORMATION**

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Other</u>	<u>Total</u>
Operating Revenues	\$350,259	\$152,257	\$57,616	\$47,717	\$ 1,605	\$609,444
Depreciation	29,283	87,571	28,427	15,958	180	161,419
Operating income (loss)	67,741	( 74,927)	(11,438)	(13,130)	(2,195)	(33,949)
Plant, property & equipment, net additions						
Total Assets	185,308	1,505,975	735,246	102,646	270	2,845,940
Long term liabilities payable from operating revenues		503,783				
Total Equity	185,308	1,002,192	735,246	102,646	270	2,116,827

**12. GRANT REPAYMENT**

During the fiscal year ended June 30, 2006, a grant audit was conducted regarding COPS grants received in 1999 and 2000. It was determined that \$41,438.80 should be repaid to the Department of Justice over a period of three years at a rate of \$1,168.91 per month for disallowed grant expenditures.

**Section III**

**Additional Required Supplemental Information**

**Required Supplementary Information**  
**Town of Waterproof**  
**Budgetary Comparison Schedule - General Fund**  
**for the year ended June 30, 2006**

	Budgeted Amounts (Note A)	Actual Amounts (Budget Basis) (Note B)	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1, 2005	\$ (21,226)	\$ (21,226)	
Resources (inflows):			
Taxes	51,200	83,638	\$ 32,438
Licenses and permits	19,000	21,941	2,941
Intergovernmental revenues			0
Grants			0
Fire insurance	4,100		(4,100)
Fines	75,000	38,901	(36,099)
Miscellaneous	10,140	10,684	544
Transfers from other funds	35,000	35,350	350
Amounts available for appropriation	<u>\$ 173,214</u>	<u>\$ 169,288</u>	<u>\$ (3,926)</u>
Charges to appropriations (outflows):			
General government	\$ 103,815	\$ 71,809	\$ 32,006
Public safety - police and fire	88,041	74,465	13,576
Nondepartmental			
Transfers to other funds		26,938	(26,938)
Total charges to appropriations	<u>\$ 191,856</u>	<u>\$ 173,212</u>	<u>\$ 18,644</u>
Budgetary fund balance, June 30, 2006	<u>\$ (18,642)</u>	<u>\$ (3,924)</u>	<u>\$ 14,718</u>

See accompanying notes to this budgetary statements.

**Required Supplementary Information  
Town of Waterproof  
Budgetary Comparison Schedule - General Fund  
for the year ended June 30, 2006**

**Note A - Original and Amended Budgetary Amounts**

There were no amendments to the budget for the Town of Waterproof during the year ended June 30, 2006, therefore, only one amount is listed.

**Note B - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 169,288
<b>Differences - budget to GAAP:</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	21,226
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(35,350)
The Town budgets for fines on the cash basis, rather than on the modified accrual basis	<u>(9,976)</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b><u>\$ 145,188</u></b>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 173,212
<b>Differences - budget to GAAP:</b>	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(26,938)
The Town budgets for expenses on the cash basis, rather than on the modified accrual basis	<u>(8,652)</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b><u>\$ 137,622</u></b>

**Section IV**

**Other Supplemental Schedules**

**Town of Waterproof**  
**Schedule of Compensation Paid Elected Officials**  
**For the Year ended June 30, 2005**

Mariah Cooper, Mayor	\$ 12,062
Caldwell A Flood Jr	0
Bertha Brown	1,775
Robert Bethel, III	1,775
Herbert Williams	1,775
Karen Johnson	1,775
	<hr/>
	<b>\$ 19,162</b>

**Section V**  
**Other Reports**



# **JERI SUE TOSSPON, CPA, LLC**

Certified Public Accountant

P O Box 445

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## **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.**

The Mayor and the Board of Aldermen  
Town of Waterproof  
Waterproof, Louisiana

I have audited the financial statement of the Town of Waterproof as of and for the year ended June 30, 2006, and have issued my report thereon dated December 20, 2006. 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**

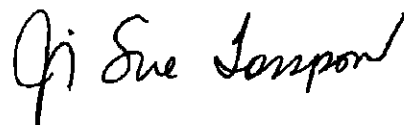
In planning and performing my audit, I considered the Town of Waterproof's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to 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 Town of Waterproof'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 on my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance and other matters

that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2006-1. I also noted certain additional matters that I reported to management of the Town of Waterproof in a separate letter dated December 20, 2006.

This report is intended solely for the information and use of the management, Mayor and Board of Aldermen, Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.

Handwritten signature of Qi Sue Simpson in cursive script.

Ferriday, Louisiana  
December 20, 2006

**Town of Waterproof, Louisiana**  
**Schedule of Findings and Questioned Costs and Management's**  
**Corrective Action Plan**  
**Year ended June 30, 2006**

Compliance Findings

2006-1 - Budget

The Town of Waterproof was under budget by 9.7% in expenditures. State law requires that actual revenues and expenditures vary by less than 5% from budgeted amounts.

I recommend that the Town of Waterproof more closely monitor budget performance and amend the budget when necessary.

Management Response - *The Town of Waterproof will monitor budget spending and revenues on a monthly basis. The Town of Waterproof will also take strong action in increasing revenue by collecting accounts in a timely fashion. Cost cutting measures will be established in the maintenance department and police department by means of monitoring repairs and purchasing of material and supplies. Action will take place immediately.*

**Town of Waterproof, Louisiana**  
**Schedule of Findings and Questioned Costs and Management's**  
**Corrective Action Plan**  
**Year ended June 30, 2005**

Compliance Findings

2005-1 - Budget

The Town of Waterproof was under budget by 18.6% in revenues. State law requires that actual revenues and expenditures vary by less than 5% from budgeted amounts. Also, the budget for the year ended June 30, 2005, was not adopted by the Town until June 27, 2005, which is a violation of the Budget Act and does not allow the Town to use the budget as a monitoring tool for actual performance.

I recommend that the Town of Waterproof more closely monitor budget performance and amend the budget when necessary.

**Management Response** - *The Town of Waterproof will monitor budget spending and revenues on a monthly basis. The Town of Waterproof will also take strong action in increasing revenue by collecting accounts in a timely fashion. Cost cutting measures will be established in the maintenance department and police department by means of monitoring repairs and purchasing of material and supplies. Action will take place immediately.*

*Also, the Town did adopt its budget for the year ended June 30, 2006 prior to the beginning of that fiscal year.*

**Subsequent Findings** - See item 2006-1 for expenditures only. June 30, 2006 budget was adopted in a timely manner.

2005-2 Late Submission

The financial statements for the year ended June 30, 2005, were not submitted to the Legislative Auditor by the due date of December 31, 2005.

**Management Response** - *Measures have been implemented to ensure that the auditor is engaged in a timely manner and that the books and records will be available earlier so that the audited financial statements can be completed on time this year.*

**Subsequent Findings** - The financial statements for the fiscal year ended June 30, 2006 were submitted before December 31, 2006, in a timely manner.

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To the Mayor and Board of Aldermen  
Town of Waterproof  
Waterproof, Louisiana

I have audited the financial statements of the Town of Waterproof, as of June 30, 2006 and for the year then ended, and have issued my reports dated December 20, 2006. As a part of my examination, I made a study and evaluation of the Town's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Town taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

My comments on specific financial and accounting matters and recommendations developed during my examination which do not represent material weaknesses, are detailed below.

### **Current Year Items**

1. **Accounts Receivable** - There needs to be a greater effort to collect funds from customers of the Town of Waterproof's water, gas, sewer and garbage services. Too many customers are being given extensions of time to pay, then leaving without paying their bills. It doesn't help the consumer to extend the time to pay and allowing them to run up a large bill that they cannot hope to pay. It also puts more burden on those customers who always pay their bill on time, but are having to shoulder a larger portion of the expenses of the system to offset those who are late or do not pay.

It is recommended that a collection policy be prepared and enforced across the board. This will ensure that there are enough funds to continue operating the utility system and that all customers are treated equally.

**Management Response** - *The Town of Waterproof will collect utility billings (accounts receivable) in a more timely fashion. The Town will, by the form of an ordinance, establish an extension fee and a late fee for those accounts not paid by the due date. The Town has obtained and installed a new billing package that is working much better for their needs.*

### **2. Insurance**

The Town has cancelled their liability insurance in order to reduce costs. This needs to be reviewed by the Mayor and the Council and an effort made to obtain at least some minimal coverage.

**Management Response** - *The Town will investigate a lower cost alternative to the liability policy previously in place and make an attempt to obtain a policy as soon as possible.*

### **Prior Year Items**

1. **Accounts Receivable** - There needs to be a greater effort to collect funds from customers of the Town of Waterproof's water, gas, sewer and garbage services. Too many customers are being given extensions of time to pay, then leaving without paying their bills. It doesn't help the consumer to extend the time to pay and allowing them to run up a large bill that they cannot hope to pay. It also puts more burden on those customers who always pay their bill on time, but are having to shoulder a larger portion of the expenses of the system to offset those who are late or do not pay. Also, the billing system in place at June 30, 2005 is not fulfilling the Town's billing needs and keeping the needed records regarding its accounts receivable.

It is recommended that a collection policy be prepared and enforced across the board. This will ensure that there are enough funds to continue operating the utility system and that all customers are treated equally. Also, it is recommended that another billing system be researched for cost and efficiency.

**Management Response** - *The Town of Waterproof will collect utility billings (accounts receivable) in a more timely fashion. The Town will, by the form of an ordinance, establish an extension fee and a late fee for those accounts not paid by the due date. The Town has obtained and installed a new billing package that is working much better for their needs.*

Subsequent Findings - See item 1 above. The Town of Waterproof has installed a new billing package that seems to be more accurate and easier to use.

## **2. Insurance**

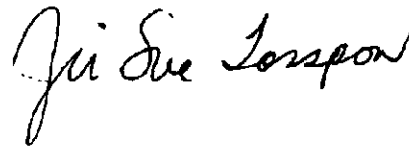
The Town has cancelled their liability insurance in order to reduce costs. This needs to be reviewed by the Mayor and the Council and an effort made to obtain at least some minimal coverage.

**Management Response** - *The Town will investigate a lower cost alternative to the liability policy previously in place and make an attempt to obtain a policy as soon as possible.*

Subsequent Findings - See item 1 above.

This report is intended for the use of the Town's management and others within the organization.

I thank all the personnel at the Town for their cooperation during my examination.



Ferriday, Louisiana  
December 20, 2006