

**LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana**

Annual Financial Statements

**As of and for the Year Ended
December 31, 2006**

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 4/4/07

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2006

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Accountant's Compilation Report

BOARD OF COMMISSIONERS
LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

I have compiled the accompanying basic financial statements and supplemental information schedules, as listed in the foregoing table of contents, of Lake Bruin Waterworks District No. 1 as of December 31, 2006, and for the year then ended, in accordance with standards established by *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and schedules, information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any form of assurance on them.

Management has elected to omit Management's Discussion and Analysis which is supplemental information required by GASB. If the omitted information were included in the financial statements, they might influence the user's conclusions about the district's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

/s Carleen Dumas
Calhoun, Louisiana
March 9, 2007

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATEMENT OF NET ASSETS
December 31, 2006

ASSETS

Current assets:

Cash	\$1,366
Investments	47,706
Accounts receivable - water sales (net)	<u>2,591</u>
Total current assets	<u>51,663</u>

Noncurrent assets:

Restricted cash	95,228
Property, plant and equipment (net of accumulated depreciation)	<u>38,582</u>
Total noncurrent assets	<u>133,810</u>
Total assets	<u>185,473</u>

LIABILITIES

Current liabilities:

Accounts payable	7,210
Sales taxes payable	66
Current portion of long-term debt	14,488
Customer deposits	<u>26,249</u>
Total current liabilities	48,013

Noncurrent liabilities:

Long-term debt - revenue bonds payable	<u>124,000</u>
Total liabilities	<u>172,013</u>

NET ASSETS

Invested in capital assets, net of related debt	(99,906)
Restricted for debt service	95,228
Unrestricted	<u>18,138</u>
Total net assets	<u>\$13,460</u>

See accompanying notes and accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2006

OPERATING REVENUES	
Water sales	\$118,676
Other fees and charges	2,110
Total revenues	<u>120,786</u>
OPERATING EXPENSES	
Bookkeeping services	26,913
Advertising	174
Supplies	1,867
Office expense	279
Utilities and telephone	2,943
Insurance	6,681
Maintenance fees	370
Audit expense	580
Postage	1,165
Due and licenses	1,341
Repairs	615
Depreciation	20,171
Water purchases	80,292
Other operating expenses	2,712
Total operating expenses	<u>146,103</u>
OPERATING INCOME (Loss)	<u>(25,317)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,708
Interest expense	(7,000)
Total non-operating revenues (expenses)	<u>(4,292)</u>
CHANGE IN NET ASSETS	(29,609)
NET ASSETS - BEGINNING	<u>43,069</u>
NET ASSETS - ENDING	<u><u>\$13,460</u></u>

See accompanying notes and accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$120,992
Payments to suppliers	<u>(123,701)</u>
Net cash used by operating activities	<u>(2,709)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(8,000)
Interest paid on capital debt	(7,000)
Increase in restricted cash	<u>(6,548)</u>
Net cash used by capital and related financing activities	<u>(21,548)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	2,708
Increase in investments	<u>(1,740)</u>
Net cash provided by investing activities	<u>968</u>

NET DECREASE IN CASH

(23,289)

CASH AT BEGINNING OF YEAR24,655**CASH AT END OF YEAR**\$1,366**Reconciliation of Operating Income (Loss) to Net Cash**

Provided by Operating Activities	
Operating Income (Loss)	<u>(\$25,317)</u>
Adjustments:	
Depreciation	20,171
Decrease in accounts receivable	205
Increase in accounts payable	2,231
Increase in taxes payable	<u>1</u>
Total adjustments	<u>22,608</u>
Net cash provided by operating activities	<u><u>(\$2,709)</u></u>

See accountant's compilation report and accompanying notes.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2006

INTRODUCTION

Lake Bruin Waterworks District No. 1 was created by the Tensas Parish Police Jury as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a four member board appointed by the police jury who serve without benefit of compensation. The district has no employees.

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 Lake Bruin Waterworks District No. 1 is considered a component unit of the Tensas Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- (1) Management's discussion and analysis (MD&A)
- (2) Statement of net assets
- (3) Statement of revenues, expenses, and changes in net assets
- (4) Statement of cash flows
- (5) Notes to the financial statements
- (6) RSI other than MD&A, if applicable

The Lake Bruin Waterworks District No. 1 is a special-purpose government engaged only in business-type activities.

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise 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 enterprise funds, subject to this same limitation. Lake Bruin Waterworks District No. 1 has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of Lake Bruin Waterworks District No. 1 are water sales and other miscellaneous fees and charges. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in interest-bearing and non-interest bearing demand deposits. State law allows the district 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. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2006, the district's investments consist of a nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost.

D. Receivables

Receivables for water sales are generally shown net of an allowance for uncollectible amounts. These statements contain no provision for uncollectible accounts. The district is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole.

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1

Notes to the Financial Statements

E. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by the debt agreement.

F. Capital Assets

Capital assets, which include land, water system and improvements, and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Lake Bruin Waterworks District No. 1 maintains a threshold level of \$250 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 the asset's life 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, if any, 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:

	<u>Estimated Lives</u>
Infrastructure - Water system and improvements	25 years
Equipment	10 years

G. Long-term Obligations

Long-term debt such as revenue bonds payable are reported as liabilities in the statement of net assets.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2006, the district has cash and investments (book balances) as follows:

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

Non-interest bearing checking account	\$1,366
Interest bearing savings accounts	95,228
Investments - certificates of deposit	<u>47,706</u>
Total	<u>\$144,300</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2006, the Lake Bruin Waterworks District No. 1 has \$152,969 in deposits (collected bank balances). These deposits are secured from risk by \$110,062 of federal deposit insurance and \$114,481 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, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

3. ACCOUNTS RECEIVABLE

At December 31, 2006, the district has net receivables of \$2,591 as follows:

Water sales	\$2,591
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$2,591</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2006, is as follows:

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006
Capital assets not being depreciated:				
Land	<u>\$5,500</u>	<u>NONE</u>	<u>NONE</u>	<u>\$5,500</u>
Capital assets being depreciated:				

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006
Water system and improvements	\$575,094			\$575,094
Equipment	28,395			28,395
Total capital assets being depreciated	<u>603,489</u>	NONE	NONE	<u>603,489</u>
Less accumulated depreciation for:				
Water system and improvements	521,841	\$20,171		542,012
Equipment	28,395			28,395
Total accumulated depreciation	<u>550,236</u>	<u>20,171</u>	NONE	<u>570,407</u>
Total assets being depreciated, net	<u>\$53,253</u>	<u>(\$20,171)</u>	NONE	<u>\$33,082</u>

Depreciation expense of \$20,171 for the year ended December 31, 2006 was reported in the statement of revenues, expenses, and changes in net assets.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt (revenue bonds payable) transactions for the year ended December 31, 2006:

Revenue bonds payable at January 1, 2006	\$146,488
Additions	NONE
Reductions	<u>(8,000)</u>
Revenue bonds payable at December 31, 2006	<u>\$138,488</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2006:

Current portion	\$14,488
Long-term portion	<u>124,000</u>

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

Total \$138,488

All outstanding debt at December 31, 2006, in the amount of \$138,488 are revenue bonds payable with maturities from 2007 until 2018 and interest rates from 3.75% to 5.0%. Loan principal and interest payable in the next fiscal year are \$14,488 and \$6,600, respectively. The individual bonds are as follows:

	<u>\$72,000</u> <u>Bonds</u>	<u>\$250,000</u> <u>Bonds</u>
Original issue date	02/27/67	10/27/78
Interest rate	3.75%	5.00%
Final payment due	1/01/07	10/28/18
Interest to maturity	\$600	\$45,950
Principal outstanding	\$6,488	\$132,000
Funding source	Water revenue	Water revenue

The loans are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2007	\$14,488	\$6,600	\$21,088
2008	9,000	6,200	15,200
2009	9,000	5,750	14,750
2010	10,000	5,300	15,300
2011	10,000	4,800	14,800
2012 - 2016	59,000	15,850	74,850
2017 - 2018	27,000	2,050	29,050
Total	<u>\$138,488</u>	<u>\$46,550</u>	<u>\$185,038</u>

6. RESTRICTED NET ASSETS

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the long-term revenue bonds discussed in note 5 above, requires the district to establish the following reserve accounts:

- A. A "Revenue Note and Interest Sinking Fund". The district must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment dates. The deposits in the fund are to be used

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

solely for the payment of principal and interest payments on the loans as they become due.

- B. A "Revenue Note Reserve Fund". The district must transfer into this fund, each month, an amount equal to 5% of the amount required to be transferred into the Revenue Note and Interest Sinking Fund for payment of principal and interest due on the October 27, 1978 note. The transfers must continue until there has been accumulated in this fund, an amount equal to the highest combined principal and interest requirements for any future year. The maximum amount of \$2,000 that was required to be set aside for the February 27, 1967 note has been met. The deposits in the fund are to be used solely for the payment of principal and interest in the event sufficient deposits are not available in the Revenue Note and Interest Sinking Fund.
- C. A "Depreciation and Contingency Fund". The district must transfer \$77 into this fund each month in accordance with the loan agreement for the October 27, 1978 note. The maximum amount of \$4,800 that was required to be set aside for the February 27, 1967 note has been met. The deposits in this fund may be used by the district for repairs, replacements and extensions necessary to properly operate the system. The deposits may also be used to pay principal and interest when insufficient amounts are available in either of the above funds.

At December 31, 2006, the district has set aside \$95,228 to meet the reserve requirements. These deposits are reported as restricted cash on the district's statement of net assets.

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
Notes to the Financial Statements

7. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

See accountant's compilation report.

SUPPLEMENTAL INFORMATION SCHEDULES

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2006

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 1.

**CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN**

The corrective action plan for current year findings is presented in Schedule 2.

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2006

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
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There were no prior year findings.

See accountant's compilation report.

LAKE BRUIN WATERWORKS DISTRICT NO. 1
St. Joseph, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2006

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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There are no current year findings.

See accountant's compilation report.