

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

Annual Financial Statements
With Accountant's Compilation Report

As of and for the Year Ended
December 31, 2012

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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 financial statements of the business-type activities of Lake Bruin Waterworks District No. 1 (the "District") as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America

The management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the District in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has not presented the Management's Discussion and Analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

/s Carleen Dumas
Calhoun, Louisiana
February 21, 2013

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
December 31, 2012

ASSETS

Current assets:

Cash	\$59,052
Investments	21,761
Accounts receivable	10,883
Total current assets	91,696

Noncurrent assets:

Restricted cash	129,261
Property, plant and equipment (net of accumulated depreciation)	127,918
Total noncurrent assets	257,179
Total assets	348,875

LIABILITIES

Current liabilities:

Accounts payable	5,983
Accrued interest payable	1,740
Current portion of long-term debt	22,000
Customer deposits	26,199
Total current liabilities	55,922

Noncurrent liabilities:

Long-term debt - revenue bonds payable	124,000
Total liabilities	179,922

NET POSITION

Net investment in capital assets (deficit)	(18,082)
Restricted for debt service	129,261
Unrestricted	57,774
Total net position	\$168,953

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 POSITION
For the Year Ended December 31, 2012

OPERATING REVENUES	
Water sales	\$138,773
Other fees and charges	3,858
Total revenues	<u>142,631</u>
OPERATING EXPENSES	
Management fee	29,965
Supplies	3,510
Office expense	330
Utilities	1,881
Insurance	4,502
Maintenance fees	8,331
Accounting expense	497
Postage	1,356
Dues and licenses	1,388
Completion fees	2,950
Depreciation	6,489
Water purchases	39,013
Water sampling	946
Other operating expenses	1,668
Total operating expenses	<u>102,826</u>
OPERATING INCOME	<u>39,805</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	310
Interest expense	(7,782)
Total non-operating revenues (expenses)	<u>(7,472)</u>
CHANGE IN NET ASSETS	32,333
NET POSITION - BEGINNING	<u>136,620</u>
NET POSITION - ENDING	<u><u>\$168,953</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$142,719
Payments to suppliers	<u>(96,068)</u>
Net cash provided by operating activities	<u>46,651</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(21,000)
Interest paid on capital debt	(7,800)
Increase in restricted cash	<u>(20,760)</u>
Net cash used by capital and related financing activities	<u>(49,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	310
Increase in investments	<u>(130)</u>
Net cash provided by investing activities	<u>180</u>
NET DECREASE IN CASH	(2,729)
CASH AT BEGINNING OF YEAR	<u>61,781</u>
CASH AT END OF YEAR	<u><u>\$59,052</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$39,805</u>
Adjustments:	
Depreciation	6,489
Decrease in accounts receivable	88
Increase in accounts payable	<u>269</u>
Total adjustments	<u>6,846</u>
Net cash provided by operating activities	<u><u>\$46,651</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, 2012

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 five 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*, No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these Statements, 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 position
- (3) Statement of revenues, expenses, and changes in net position
- (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.

**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.

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 limits the district's credit risk by restricting the district's investments to 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, 2012, 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. The district's interest rate risk is limited by the investment of funds for periods not to exceed one year.

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. Past due amounts are written off when they are considered uncollectible by management.

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. It

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

is the district's policy to use unrestricted assets first when both unrestricted and restricted assets are available for a specific purpose.

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 position.

H. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2012:

Total interest cost expensed	\$7,782
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u><u>\$7,782</u></u>

I. 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

See accountant's compilation report.

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

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

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2012, the district has cash and investments (book balances) as follows:

Non-interest bearing checking accounts	\$59,052
Interest bearing savings accounts	129,261
Investments - certificates of deposit	<u>21,761</u>
Total	<u>\$210,074</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. At December 31, 2012, the Lake Bruin Waterworks District No. 1 has \$210,074 in deposits (collected bank balances). These deposits are fully secured from risk by federal deposit insurance.

3. ACCOUNTS RECEIVABLE

At December 31, 2012, the district has net receivables of \$10,883 as follows:

Water sales	\$10,883
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$10,883</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2012, is as follows:

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
	<u>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>2012</u>
Capital assets not being depreciated:				
Land	\$5,500	NONE	NONE	\$5,500
Capital assets being depreciated:				
Water system and improvements	714,262			714,262

See accountant's compilation report.

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

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Equipment	28,395			28,395
Total capital assets being depreciated	\$742,657	NONE	NONE	\$742,657
Less accumulated depreciation for:				
Water system and improvements	585,355	6,489		591,844
Equipment	28,395			28,395
Total accumulated depreciation	613,750	6,489	NONE	620,239
Total assets being depreciated, net	128,907	(6,489)	NONE	122,418
Total	<u>\$134,407</u>	<u>(\$6,489)</u>	<u>NONE</u>	<u>\$127,918</u>

Depreciation expense of \$6,489 for the year ended December 31, 2012 was reported in the statement of revenues, expenses, and changes in net position.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt (revenue bonds payable) transactions for the year ended December 31, 2012:

Revenue bonds payable at January 1, 2012	\$167,000
Additions	NONE
Reductions	(21,000)
Revenue bonds payable at December 31, 2012	<u>\$146,000</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, 2012:

Current portion	\$22,000
Long-term portion	<u>124,000</u>
Total	<u>\$146,000</u>

See accountant's compilation report.

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

All outstanding debt at December 31, 2012, in the amount of \$146,000 are revenue bonds payable with maturities from 2013 until 2018 and interest rate from 0% to 5.0%. Loan principal and interest payable in the next fiscal year are \$22,000 and \$6,925, respectively. The individual bonds are as follows:

	<u>\$48,000</u> Bonds	<u>\$37,000</u> Bonds	<u>\$15,000</u> Bonds	<u>\$250,000</u> Bonds
Original issue date	03/20/08	03/20/08	03/20/08	10/27/78
Interest rate	5.00%	5.00%	0.00%	5.00%
Final payment due	03/01/18	03/01/17	03/01/13	10/28/18
Interest to maturity	\$6,500	\$4,475	NONE	\$13,600
Principal outstanding	36,000	31,000	4,000	75,000
Funding source	Water revenue	Water revenue	Water revenue	Water revenue

The loans are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u> Payments	<u>Interest</u> Payments	<u>Total</u>
2013	\$22,000	\$6,925	\$28,925
2014	23,000	5,925	28,925
2015	23,000	4,775	27,775
2016	25,000	3,600	28,600
2017	26,000	2,325	28,325
2018	27,000	1,025	28,025
Total	<u>\$146,000</u>	<u>\$24,575</u>	<u>\$170,575</u>

6. RESTRICTED NET ASSETS

The bond covenants for the 1978 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 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

See accountant's compilation report.

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

interest. 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 \$15,300 that was required to be set aside 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. 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, 2012, the district has set aside \$129,261 to meet the reserve requirements. These deposits are reported as restricted cash on the district's statement of net assets.

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.

8. SUBSEQUENT EVENTS

Management of the district has evaluated subsequent events through February 21, 2013, the date which the financial statements were available to be issued.