

## Statement C

LAKE BRUIN WATERWORKS DISTRICT NO. 1  
St. Joseph, Louisiana  
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows - By Years  
For the Two Years Ended December 31, 1996

|   | YEAR ENDED<br>DECEMBER 31, |                 |
|---|----------------------------|-----------------|
|   | 1996                       | 1995            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                 |
| Cash received from customers  | \$79,799                   | \$73,011        |
| Cash paid to suppliers  | 3,319                      | (9,208)         |
| Cash paid to others for services, taxes, etc.   | (58,557)                   | (63,627)        |
| Customer deposits (net)   | 679                        | 14              |
| Net cash provided by operating activities   | <u>14,212</u>              | <u>2,190</u>    |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>   |                            |                 |
| Acquisition of plant and equipment  | (23,056)                   | (5,017)         |
| Principal and interest on notes payable   | (18,643)                   | (18,889)        |
| Net cash used for capital financing activities  | <u>(41,699)</u>            | <u>(23,906)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                 |
| Interest earned on bank deposits  | <u>2,872</u>               | <u>3,773</u>    |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <u>(14,586)</u>            | <u>(17,943)</u> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>   | <u>92,134</u>              | <u>110,077</u>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u>\$77,548</u>            | <u>\$92,134</u> |
| <b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                            |                 |
| Net operating income (loss)   | <u>(2,110)</u>             | <u>(82,689)</u> |

(Continued)

LAKE BRUNN WATERWORKS DISTRICT NO. 1  
 St. Joseph, Louisiana  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 Statement of Revenues, Expenses, and  
 Changes in Retained Earnings - By Years, etc.

|   | YEAR ENDED-<br>DECEMBER 31, |                 |
|---|-----------------------------|-----------------|
|   | 1996                        | 1995            |
| NET INCOME (LOSS)   | (\$8,230)                   | (\$17,554)      |
| Add depreciation on fixed assets constructed with federal grant | 4,760                       | 4,760           |
| RETAINED EARNINGS AT BEGINNING OF YEAR                          | 73,769                      | 80,563          |
| RETAINED EARNINGS AT END OF YEAR                                | <u>\$73,299</u>             | <u>\$77,769</u> |

(Continued)

The accompanying notes are an integral part of this statement.

LAKE BRUN WATERWORKS DISTRICT NO. 1  
St. Joseph, Louisiana  
PROPRIETARY FUND- TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and  
Changes in Retained Earnings - By Years  
For the Two Years Ended December 31, 1998

|  | YEAR ENDED<br>DECEMBER 31, |                 |
|--|----------------------------|-----------------|
|  | 1998                       | 1997            |
| <b>OPERATING REVENUES</b>                |                            |                 |
| Water sales                              | \$76,265                   | \$34,460        |
| Other fees and charges                   | 1,863                      | 1,876           |
| Total operating revenues                 | <u>78,128</u>              | <u>36,336</u>   |
| <b>OPERATING EXPENSES</b>                |                            |                 |
| Supplies                                 | 3,798                      | 8,162           |
| Utilities                                | 5,062                      | 5,579           |
| Salaries                                 | 9,445                      | 12,740          |
| Contract labor                           | 588                        | 350             |
| Payroll taxes                            | 1,403                      | 2,497           |
| Accounting and audit services            | 6,530                      | 8,268           |
| Office expense                           | 700                        | 1,680           |
| Postage                                  | 819                        | 285             |
| Insurance                                | 4,479                      | 4,928           |
| Legal and professional                   | 3,042                      | 7,882           |
| Repairs and maintenance                  | 21,915                     | 8,664           |
| Depreciation                             | 14,017                     | 13,777          |
| Water purchased                          | 6,722                      |                 |
| Other operating expenses                 | 323                        | 1,088           |
| Total operating expenses                 | <u>78,851</u>              | <u>86,018</u>   |
| <b>OPERATING INCOME (LOSS)</b>           | <u>(723)</u>               | <u>(9,682)</u>  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                            |                 |
| Interest earned on deposits              | 3,873                      | 3,773           |
| Interest expense                         | <u>(11,383)</u>            | <u>(11,638)</u> |
| Total non-operating revenues (expenses)  | <u>(8,510)</u>             | <u>(7,865)</u>  |

(Continued)

LAKE BRLEN WATERWORKS DISTRICT NO. 1  
St. Joseph, Louisiana  
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Combined Balance Sheet, December 31, 1986

**ASSETS**

## Current assets:

|                                   |               |
|-----------------------------------|---------------|
| Cash and cash equivalents         | \$46,338      |
| Accounts receivable - water sales | 6,677         |
| Total current assets              | <u>53,015</u> |

## Restricted assets - cash

31,190

## Property, plant and equipment (net of accumulated depreciation)

408,142

**TOTAL ASSETS**

\$492,347

**LIABILITIES AND FUND EQUITY**

## Current liabilities (payable from current assets):

|   |               |
|---|---------------|
| Accounts payable  | \$10,920      |
| Sales tax payable                                       | 231           |
| Customer deposits                                       | 20,486        |
| Total current liabilities (payable from current assets) | <u>31,637</u> |

## Current liabilities (payable from restricted assets) -

notes payable

7,368

## Long-term liabilities - notes payable

120,851

Total liabilities

159,856

## Fund Equity:

Contributed capital (net of accumulated depreciation on fixed assets constructed with federal grant)

137,080

## Retained earnings:

Reserved for notes payable

23,822

Unreserved - undesignated

48,477

    Total retained earnings

72,299

    Total Fund Equity

210,379

**TOTAL LIABILITIES AND FUND EQUITY**

\$492,347

The accompanying notes are an integral part of this statement.

*M. Carlton Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

368 DEBARK BERRY ROAD • CALIBORN, LOUISIANA 71225 • Telephone: 318/644-3726

**Independent Auditor's Report**

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

I have audited the general purpose financial statements of Lake Brum Waterworks District No. 1, a component unit of the Texas Parish Police Jury, as of December 31, 1996, and for each of the years in the two year period then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the district's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and 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 general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lake Brum Waterworks District No. 1, as of December 31, 1996, and the results of its operations and its cash flows for each of the years in the two year period then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated June 28, 1997, on my consideration of Lake Brum Waterworks District No. 1's internal control structure and a report dated June 20, 1997, on the district's compliance with laws and regulations.



Caliborn, Louisiana  
June 20, 1997



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

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Two Years Ended  
December 31, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 04-10-2007

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2007-04-10 10:00:00  
10/10/07

**LAKE BRUIN WATERWORKS DISTRICT NO. 1**

St. Joseph, Louisiana

Notes to the financial statements (Continued)

**3. PENSION PLAN**

The employees of Lake Bruin Waterworks District No. 1, during the two years ended December 31, 1996, were members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the district contributed an equal amount to the Social Security System. The district does not guarantee the benefits granted by the Social Security System.

**4. LONG-TERM DEBT**

At December 31, 1996, the district has two outstanding long-term notes. The note dated February 21, 1967, was originally for \$72,000 and the note dated October 27, 1978 was originally for \$250,000. The 1967 note bears interest at 3.75% per annum and the 1978 note bears interest at 5% per annum. The purpose of both notes was to provide financing for the construction of the water system and extensions and improvements to the system. Both notes were purchased by the General Electric Credit Corporation from the United States Department of Agriculture, Farmer's Home Administration in September 1987.

For the February 27, 1967 note, the district is required to make annual payments of \$3,543 through January 1, 2007. Annual payments are due January 1st of each year and are used to pay all accumulated interest to date with any remaining amount used to reduce the principal.

The loan agreement for the October 27, 1978 note, requires the payment of principal and interest in thirty-eight annual payments due on October 27th of each year. The annual payments range from \$14,350 to \$15,450 and are required to be made through October 27, 2018.

The following is a summary of revenue bonds payable transactions for the two years ended December 31, 1996:

|  |                  |
|--|------------------|
| Revenue bonds payable at January 1, 1995   | \$242,840        |
| Reductions:                                |                  |
| For the year ended December 31, 1995       | (57,255)         |
| For the year ended December 31, 1996       | (7,360)          |
| Revenue bonds payable at December 31, 1996 | <u>\$218,225</u> |

The annual requirements to amortize all bonds outstanding at December 31, 1996, including interest of \$135,955, are as follows:

|      |          |
|------|----------|
| Year |          |
| 1997 | \$18,583 |
| 1998 | 18,143   |

## Statement C

LAKE BIUM WATERWORKS DISTRICT NO. 1  
 St. Joseph, Louisiana  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 Statement of Cash Flows, etc.

|   | YEAR ENDED           |                |
|---|----------------------|----------------|
|   | DECEMBER 31,<br>1996 | 1995           |
| Adjustments to reconcile net operating income (loss)<br>to net cash provided by operating activities: |                      |                |
| Depreciation  | \$14,067             | \$13,777       |
| Changes in assets and liabilities:  |                      |                |
| (Increase) decrease in accounts receivable  | 1,666                | (3,117)        |
| Increase in accounts and notes payable  | 8,396                | 1,203          |
| Increase in customer deposits   | 671                  | 14             |
| Total adjustments   | <u>24,800</u>        | <u>11,877</u>  |
| Net cash provided by operating activities   | <u>\$24,231</u>      | <u>\$2,090</u> |

(Continued)

The accompanying notes are an integral part of this statement.



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

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Two Years Ended  
December 31, 1996

CONTENTS

|  | Statement | Page No. |
|--|-----------|----------|
| <b>Independent Auditor's Report</b>  |           | 3        |
| <b>General Purpose Financial Statements:</b>   |           |          |
| <i>Proprietary Fund Type - Enterprise Fund:</i>  |           |          |
| Balance Sheet, December 31, 1996   | A         | 4        |
| Statement of Revenues, Expenses, and<br>Changes in Retained Earnings - By Years -<br>For the Two Years Ended December 31, 1996                                     | B         | 5        |
| Statement of Cash Flows - By Years - For the<br>Two Years Ended December 31, 1996  | C         | 9        |
| Notes to the Financial Statements  |           | 9        |
| <b>Independent Auditor's Reports Required by<br/>Government Auditing Standards:</b>  |           |          |
| Report on Compliance Based on an Audit of<br>General Purpose Financial Statements<br>Performed in Accordance with<br>Government Auditing Standards                 |           | 17       |
| Report on Internal Control Structure Based on An<br>Audit of General Purpose Financial Statements<br>Performed in Accordance with<br>Government Auditing Standards |           | 19       |

*M. Carlton Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

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

In planning and performing my audit of Lake Brun Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

**MINUTES SHOULD BE MAINTAINED  
AND PRESERVED FOR ALL  
BOARD MEETINGS**

The board did not maintain and preserve minutes of meetings held during the period of May 1996 through December 1996. Louisiana Revised Statute (LRS) 42:7.1 (A) requires that all public bodies keep written minutes of all their open meetings. LRS 42:7.1 (B) provides that these minutes are public records. LRS 44:56 provides that public records be preserved and maintained for a period of at least three years from the date on which the public record was made. In the future, the board should keep written minutes of all open meetings and these minutes should be maintained and preserved as a public record.

**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
M. Carlton Dumas  
June 20, 1997

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

268 DUNDALBERRY ROAD • CALHOUN, LOUISIANA 70225 • TELEPHONE 338-644-3328

**MANAGEMENT LETTER**

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

In planning and performing my audit of Lake Bruin Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

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**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
Carleen Dumas

June 20, 1997

LAKE BRUNN WATERWORKS DISTRICT NO. 1  
St. Joseph, Louisiana  
Notes to the financial statements (Continued)

for equipment added to the system. Long-term debt is recognized within the enterprise fund.

**E. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operations of this fund are included on the balance sheet. The Enterprise Fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues, such as water sales and other operating income are recognized when they are earned. Interest on bank deposits is recorded when the interest is credited to the account. All expenses of the district are recognized when they are incurred.

**F. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under the laws of the State of Louisiana, or any other state of the United States, or under the laws of the United States. At December 31, 1996, the district has cash and cash equivalents (bank balances) totaling \$77,528 as follows:

|                                  |                 |
|----------------------------------|-----------------|
| Demand deposits                  | \$79,405        |
| Interest-bearing demand deposits | 31,150          |
| Time deposits                    | <u>35,935</u>   |
| Total                            | <u>\$77,528</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. Deposit balances (bank balances) at December 31, 1996, total \$77,528 and are fully secured by federal deposit insurance.

For purposes of the Statement of Cash Flows, cash equivalents includes all highly

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

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

In planning and performing my audit of Lake Brum Waterworks District No. 1's financial statements for the two years ended December 31, 1995, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

**MINUTES SHOULD BE MAINTAINED  
AND PRESERVED FOR ALL  
BOARD MEETINGS**

The board did not maintain and preserve minutes of meetings held during the period of May 1996 through December 1995. Louisiana Revised Statute (LRS) 43:7.1 (A) requires that all public bodies keep written minutes of all their open meetings. LRS 43:7.1 (D) provides that these minutes are public records. LRS 43:36 provides that public records be preserved and maintained for a period of at least three years from the date on which the public record was made. In the future, the board should keep written minutes of all open meetings and these minutes should be maintained and preserved as a public record.

**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
M. Carleen Dumas  
June 20, 1997

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

Notes to the Financial Statements  
As of and for the Two Years Ended December 31, 1996

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 six member board appointed by the police jury who serve without benefit of compensation.

**A. BASIS OF PRESENTATION**

The accompanying general purpose financial statements of Lake Bruin Waterworks District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Tensas Parish Police Jury is the financial reporting entity for Tensas Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Tensas Parish Police Jury for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and;

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CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

LAKE BRAIN WATERWORKS DISTRICT NO. 1  
St Joseph, Louisiana

In planning and performing my audit of Lake Brain Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

**MINUTES SHOULD BE MAINTAINED  
AND PRESERVED FOR ALL  
BOARD MEETINGS**

The board did not maintain and preserve minutes of meetings held during the period of May 1996 through December 1996. Louisiana Revised Statute (LRS) 42:7.1 (A) requires that all public bodies keep written minutes of all their open meetings. LRS 42:7.1 (B) provides that these minutes are public records. LRS 44:36 provides that public records be preserved and maintained for a period of at least three years from the date on which the public record was made. In the future, the board should keep written minutes of all open meetings and these minutes should be maintained and preserved as a public record.

**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
M. Carlton Dumas  
June 26, 1997

*M. Carlton Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

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

In planning and performing my audit of Lake Brun Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

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**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
M. Carlton Dumas  
June 26, 1997



*M. Carlton Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

LAKE BRUN WATERWORKS DISTRICT NO. 1  
St Joseph, Louisiana

In planning and performing my audit of Lake Brun Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

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**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
M. Carlton Dumas

June 28, 1997

*M. Carlton Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

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

In planning and performing my audit of Lake Bruin Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

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**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
Carlton Dumas  
June 20, 1997

BOARD OF COMMISSIONERS  
LAKE BRUN WATERWORKS DISTRICT NO. 1

St. Joseph, Louisiana  
Independent Auditor's Report  
on the Internal Control Structure, etc.

In planning and performing my audit of the general purpose financial statements of Lake Brun Waterworks District No. 1, for the two years ended December 31, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted the following matter involving the internal control structure and its operation that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

During the two years ended December 31, 1996, all accounting functions of the district, i.e., billing, depositing, and posting receipts and preparing, posting, and issuing checks were performed by one individual. Such functions are not compatible and should be performed by separate individuals. This deficiency has been corrected by management of the district.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, I believe the reportable condition described above is not a material weakness.

This report is intended for the information of the board of commissioners of Lake Brun Waterworks District No. 1, management of the district, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.

  
Arthur P. Jones  
Caldwell, Louisiana  
June 20, 1997

*M. Carlson Pumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report on the Internal Control  
Structure Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

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

I have audited the general purpose financial statements of Lake Brun Waterworks District No. 1, as of December 31, 1986, and for each of the years in the two year period then ended, and have issued my report thereon dated June 28, 1987.

I conducted my audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

The management of Lake Brun Waterworks District No. 1, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

BOARD OF COMMISSIONERS  
LAKE BRUN WATERWORKS DISTRICT NO. 1  
St. Joseph, Louisiana  
Independent Auditor's Report on  
Compliance, etc.

This report is intended for the information of the board of commissioners of Lake Bruin Waterworks District No. 1, management of the district, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



Calhoun, Louisiana  
June 20, 1997

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

308 DONALDSON ROAD • CALMON, LOUISIANA 71225 • TELEPHONE 318/644-8728

**Independent Auditor's Report on Compliance  
Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

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

I have audited the general purpose financial statements of Lake Brain Waterworks District No. 1, as of December 31, 1996 and for each of the years in the two year period then ended, and have issued my report thereon dated June 20, 1997.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards and the audit guide require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws and regulations applicable to Lake Brain Waterworks District No. 1, is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of Lake Brain Waterworks District No. 1's compliance with certain provisions of laws and regulations. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

I noted a certain immaterial instance of noncompliance that I have reported to the management of Lake Brain Waterworks District No. 1 in a separate letter dated June 20, 1997.

**Independent Auditor's Reports Required by  
Government Auditing Standards**

The following independent auditor's reports on compliance with laws and regulations and internal control statements are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**LAKE BRUN WATERWORKS DISTRICT NO. 1**

St. Joseph, Louisiana

NOTES to the financial statements (Continued)

net. 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 23, 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, 1996, the district has set aside \$31,190 to meet the reserve requirements. Of that amount, \$7,368 is offset by the current portion of long-term debt, with the remaining \$23,822 reported as a reserve of retained earnings on Statement A.

**7. OPERATING AGREEMENT**

Effective November 1, 1988, the district entered into an agreement with G.D. Wornack Trenching, Inc. for operation of the water system. During the two years ended December 31, 1996, the district paid to G.D. Wornack Trenching, Inc., \$80,450 for operating the system, \$12,016 for repairs to the system, and \$25,056 under a contract to connect the Lake Brun water system to the Town of St. Joseph water system.

**8. LITIGATION AND CLAIMS**

At December 31, 1996, the district is not involved in any litigation nor aware of any unasserted claims. The district maintains commercial insurance coverage to reduce the risk of loss resulting from property damage or liability claims. There were no significant reductions in insurance coverage during the two years ended December 31, 1996. There were no costs resulting from claims or judgments during the two years ended December 31, 1996.



LAKE BRUN WATERWORKS DISTRICT NO. 1  
St. Joseph, Louisiana  
Notes to the financial statements (Continued)

| Year      |                  |
|-----------|------------------|
| 1999      | \$18,883         |
| 2000      | 18,560           |
| 2001      | 18,280           |
| 2002-2006 | 93,415           |
| 2007-2011 | 74,680           |
| 2012-2016 | 74,800           |
| 2017-2018 | <u>29,058</u>    |
| Total     | <u>\$384,280</u> |

8. CONTRIBUTED CAPITAL

The district received a federal grant from the Farmers Home Administration in 1979 totaling \$258,000, for the construction of the water system extension and improvements. The grant was used to fund approximately 49% of the construction costs with the remaining 51% funded with long-term debt. The amount of fixed assets constructed with grant funds is shown as contributed capital on the balance sheet. The contributed capital amount is reduced each year by the amount of depreciation expense recognized on fixed assets constructed with grant funds. At December 31, 1996, accumulated depreciation on these assets was \$80,920.

9. RESERVED RETAINED EARNINGS

The loan agreements with General Electric Credit Corporation for the long-term notes discussed in note 4 above, require 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 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

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**MANAGEMENT LETTER**

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

In planning and performing my audit of Lake Bruin Waterworks District No. 1's financial statements for the two years ended December 31, 1996, a certain matter came to my attention which I feel should be conveyed to management of the district. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

**MINUTES SHOULD BE MAINTAINED  
AND PRESERVED FOR ALL  
BOARD MEETINGS**

The board did not maintain and preserve minutes of meetings held during the period of May 1996 through December 1996. Louisiana Revised Statute (LRS) 42:7.1 (A) requires that all public bodies keep written minutes of all their open meetings. LRS 42:7.1 (B) provides that these minutes are public records. LRS 44:36 provides that public records be preserved and maintained for a period of at least three years from the date on which the public record was made. In the future, the board should keep written minutes of all open meetings and these minutes should be maintained and preserved as a public record.

**GENERAL**

I am available to assist the district with any problems or questions they may have concerning the above or any other matters.

Respectfully,

  
Carleen Dumas  
June 28, 1997

LAKE BRUNN WATERWORKS DISTRICT NO. 1

St. Joseph, Louisiana

Notes to the financial statements (Continued)

liquid investments (certificates of deposit) with a maturity date of three months or less when purchased.

G. VACATION AND SICK LEAVE

There is no vacation or sick leave granted to the employees of the district; therefore, there is no liability for compensated absences.

H. RESTRICTED ASSETS

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

I. CONTRIBUTED CAPITAL

Grants, settlements, or shared revenues that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

1. FIXED ASSETS

A summary of fixed assets at December 31, 1996, follows:

|                                     |                  |
|-------------------------------------|------------------|
| Land                                | \$5,900          |
| Water system                        | 418,751          |
|                                     | <hr/>            |
|                                     | 424,651          |
| Less accumulated depreciation       | (218,100)        |
| Property, plant, and equipment, net | <u>\$206,551</u> |

## LAKE BRUN WATERWORKS DISTRICT NO. 1

St. Joseph, Louisiana

Notes to the financial statements (Continued)

- a. The ability of the police jury to impose its will on that organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
  3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the governing body of the district and has the ability to impose its will on the district, the district was determined to be a component unit of the Toussaint Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

### C. FUND ACCOUNTING

Lake Brun Waterworks District No. 1 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

### D. FIXED ASSETS AND LONG-TERM DEBT

Fixed assets of the district are included on the balance sheet of the enterprise fund and are recorded at actual cost. Depreciation of all depreciable fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 30 years for the original water system and extension and 10 years

*M. Carlton Dumas*  
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Respectfully,

  
M. Carlton Dumas

June 20, 1997