

Bogue Lusa Waterworks District
Washington Parish Council
Bogalusa, Louisiana

Annual Financial Statements

As of and for the Years Then Ended December 31, 2013 and 2012
With Supplemental Information Schedules

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As of and for the Years Ended December 31, 2013 and 2012
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MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Board of Commissioners
Bogue Lusa Waterworks District
Washington Parish Council
Bogalusa, Louisiana

I have reviewed the accompanying financial statements of the business-type activities of the Bogue Lusa Waterworks District, as of and for the year ended December 31, 2013, and 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Bogue Lusa Waterworks District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

The management of the Bogue Lusa Waterworks 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 review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison on pages 7 through 14 and page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by me, and I do not express an opinion or provide any assurance on it.

Minda Raybourn

July 7, 2014

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Management's Discussion and Analysis

Bogue Lusa Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2013 and 2012

Introduction

The Bogue Lusa Waterworks District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and with current standards as more fully described in *Footnote 1 - Summary of Significant Accounting Policies - Section A "Measurement Focus and Basis of Accounting and Financial Statement Presentation"*.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2013, total assets were \$2,502,713, and exceeded liabilities in the amount of \$1,166,495 (i.e., net position). Of the total net position, \$350,928 was unrestricted and available to support short-term operations, with \$427,499 net investment in capital assets, and \$388,068 restricted for capital activity and debt service.
- For the year ended December 31, 2013, user fee revenues (water sales) decreased to \$443,624 as compared to \$445,455 for the fiscal year ending December 31, 2012.
- The District's operating expenses, other than depreciation expense, increased fourteen percent of the prior year's operating expenses going from \$296,378 to \$337,241 for the year ending December 31, 2013.
- Total long term debt decreased from \$1,308,882 to \$1,275,172 (before deduction of bond discount) from the prior year due to principal payments made on bonds payable.

Bogue Lusa Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2013 and 2012

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Bogue Lusa Waterworks District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Bogue Lusa Waterworks District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2013 and 2012**

**Condensed Statement of Net Position
2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 800,042	\$ 817,540	\$ (17,498)	-2%
Capital Assets	<u>1,702,671</u>	<u>1,782,557</u>	<u>(79,886)</u>	-4%
Total Assets	<u>2,502,713</u>	<u>2,600,097</u>	<u>(97,384)</u>	-4%
Liabilities:				
Long-Term Debt Outstanding	1,263,373	1,296,568	(33,195)	-3%
Other Liabilities	<u>72,845</u>	<u>96,801</u>	<u>(23,956)</u>	-25%
Total Liabilities	<u>1,336,218</u>	<u>1,393,369</u>	<u>(57,151)</u>	-4%
Net Position:				
Net Investment in Capital Assets	427,499	1,063,112	(635,613)	-60%
Restricted for Capital Activity and Debt Service	388,068	(228,114)	616,182	270%
Unrestricted	<u>350,928</u>	<u>371,730</u>	<u>(20,802)</u>	-6%
Total Net Position	<u>\$ 1,166,495</u>	<u>\$ 1,206,728</u>	<u>\$ (40,233)</u>	-3%

The net increase in "Capital Assets" reflects the depreciation recorded on capital assets of \$101,335 and asset additions in the amount of \$21,449 for the fiscal year ending December 31, 2013.

Total principal payments paid on long term debt amounted to \$33,710.

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2013 and 2012**

**Condensed Statements of Revenues, Expenses and Changes in Net Position
2013 and 2012**

	<u>Year ended December 31, 2013</u>	<u>Year ended December 31, 2012</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 462,838	\$ 467,079	\$ (4,241)	-
Nonoperating Revenues	576	136,706	(136,130)	-100%
Total Revenues	<u>463,414</u>	<u>603,785</u>	<u>(140,371)</u>	-23%
Expenses:				
Depreciation Expense	101,335	76,483	24,852	32%
Other Operating Expense	337,241	296,378	40,863	14%
Nonoperating Expense	65,071	42,253	22,818	54%
Total Expenses	<u>503,647</u>	<u>415,114</u>	<u>88,533</u>	21%
Changes in Net Position	<u>(40,233)</u>	<u>188,671</u>	<u>(228,904)</u>	-121%
Beginning Net Position	<u>1,206,728</u>	<u>1,018,057</u>	<u>188,671</u>	19%
Ending Net Position	<u>\$ 1,166,495</u>	<u>\$ 1,206,728</u>	<u>\$ (40,233)</u>	-3%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Bogue Lusa Waterworks District is being conservatively managed.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) remained relatively consistent with the levels in the last few years. In 2009, base water rates increased from \$11 to \$14 for residential water and from \$40 to \$45 for commercial customers. These rates have produced similar total operating revenue for both 2012 and 2013. Nonoperating Revenues decrease was primarily because of a state grant received of \$132,800 in 2012, but no state grants received during 2013.

Total operating expenses, other than depreciation, increased by 14%. Repairs and maintenance increased \$37,384, and utilities increased by \$5,220. Bad debt expense decreased by \$10,376, since there were no write-offs during 2013.

The District showed a loss of \$(40,233) (change in net position) for the fiscal year ending December 31, 2013.

Bogue Lusa Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2013 and 2012

Budgetary Highlights

Bogue Lusa Waterworks District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2013

	Budget Year ended December 31, 2013	Actual Year ended December 31, 2013	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 466,100	\$ 462,838	\$ (3,262)
Nonoperating Revenues	450	576	126
Total Revenues	<u>466,550</u>	<u>463,414</u>	<u>(3,136)</u>
Expenses:			
Depreciation	101,000	101,335	(335)
Other Operating Expense	334,650	337,241	(2,591)
Nonoperating Expense	65,000	65,071	(71)
Total Expenses	<u>500,650</u>	<u>503,647</u>	<u>(2,997)</u>
Change in Net Position	<u>\$ (34,100)</u>	<u>\$ (40,233)</u>	<u>\$ (6,133)</u>

Actual revenues and expenses were within five percent of budgeted amounts for the year.

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2013 and 2012**

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

**Schedule of Water Customers
As of December 31, 2013 and 2012**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>Increase (Decrease)</u>
Customers			
Residential	1,418	1,406	12
Commercial	20	20	-
School	2	2	-
Total Customers	<u>1,440</u>	<u>1,428</u>	<u>12</u>

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2013 and 2012.

	<u>Year Ended December 31, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 29,749	\$ 30,208	\$ (459)
31-60 Days Past Due	5,797	4,110	1,687
61-90 Days Past Due	1,411	-	1,411
Over 90 Days Past Due	<u>-</u>	<u>273</u>	<u>(273)</u>
Subtotal	36,957	34,591	2,366
Allowance for Uncollectible Accounts	<u>(1,700)</u>	<u>(1,700)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 35,257</u>	<u>\$ 32,891</u>	<u>\$ 2,366</u>

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2013 and 2012**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2013, Bogue Lusa Waterworks District had \$1,702,671 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment in water meters, storage and other equipment, such as office equipment, and maintenance equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 38,025	\$ 38,025	\$ -	-
Buildings and Improvements	231,387	231,387	-	-
Furniture, Fixtures, and Equipment	109,356	109,356	-	-
Vehicles	39,311	17,862	21,449	120%
Utility System	3,491,851	3,491,851	-	-
Construction in Progress	-	-	-	-
Subtotal	<u>3,909,930</u>	<u>3,888,481</u>	<u>21,449</u>	1%
Less: Accumulated Depreciation	<u>(2,207,259)</u>	<u>(2,105,924)</u>	<u>(101,335)</u>	-5%
Net Capital Assets	<u>\$ 1,702,671</u>	<u>\$ 1,782,557</u>	<u>\$ (79,886)</u>	-4%

During the fiscal year ending December 31, 2013, a new truck was purchased for \$21,449. The District had no asset disposals during the year.

Bogue Lusa Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2013 and 2012

Long-Term Offerings

The primary source of long-term financing for Bogue Lusa Waterworks District is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS), and the Series 2011 Issue at \$780,000 financed through a private lender. Interest rates for long-term debt financed through RUS at December 31, 2013, range from 4.75% to 5.625%, and for Series 2011 Bonds, from 4.0% to 5.375% over the term of the bond.

Bonds financed for Bogue Lusa Waterworks District require a specific debt to net income ratio of 125%. As noted in *Footnote 7 - Flow of Funds, Restrictions on Use*, the District did not meet the required ratio for the fiscal year ended December 31, 2013.

Future Economic Plans

The Bogue Lusa Waterworks District's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects.

Requests for Information

The financial report is designed to provide an overview of Bogue Lusa Waterworks District's finances and demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 26070 Highway 21, Angie, LA 70426. The phone number for the District is (985) 735-1669.

Financial Statements

Statement A

Bogue Lusa Waterworks District
Statements of Net Position
As of December 31, 2013
(With Comparative Totals as of December 31, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 287,335	\$ 343,385
Receivables, Net :		
Accounts	35,257	32,891
Unbilled	18,176	14,318
Prepaid Insurance	14,497	12,257
Total Current Assets	<u>355,265</u>	<u>402,851</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents		
Customer Deposits	23,721	49,359
Bond Reserve Account	181,604	164,170
Bond Contingency Account	176,529	172,347
Bond Sinking Account	62,923	28,813
Construction Account	-	-
Total Restricted Assets	<u>444,777</u>	<u>414,689</u>
Property, Plant, and Equipment		
Land	38,025	38,025
Construction in Progress	-	-
Property, Plant and Equipment, Net	1,664,646	1,744,532
Total Property, Plant, and Equipment	<u>1,702,671</u>	<u>1,782,557</u>
Total Assets	<u>2,502,713</u>	<u>2,600,097</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	12,448	39,526
Other Accrued Payables	3,688	3,909
Total Current Liabilities (Payable From Current Assets)	<u>16,136</u>	<u>43,435</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	37,268	33,502
Revenue Bonds Payable	34,699	33,964
Accrued Interest - RUS Bonds	19,441	19,864
Total Current Liabilities (Payable From Restricted Assets)	<u>91,408</u>	<u>87,330</u>
Long Term Liabilities:		
Bonds Payable	1,228,674	1,262,604
Total Long Term Liabilities	<u>1,228,674</u>	<u>1,262,604</u>
Total Liabilities	<u>1,336,218</u>	<u>1,393,369</u>
Net Position		
Net Investment in Capital Assets	427,499	1,063,112
Restricted for:		
Capital Projects and Debt Service	388,068	(228,114)
Unrestricted	350,928	371,730
Total Net Position	<u>\$ 1,166,495</u>	<u>\$ 1,206,728</u>

See accompanying notes and independent
accountant's review report.

Statement B

Bogue Lusa Waterworks District
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Water Sales	\$ 443,624	\$ 445,455
Penalties	12,117	12,835
Installation Fees	3,000	3,900
Reconnect Fees	3,950	3,800
Other	147	1,089
Total Operating Revenues	<u>462,838</u>	<u>467,079</u>
Operating Expenses		
Advertising	435	283
Bad Debts	-	10,376
Contract Operations & Maintenance	46,899	45,630
Contract Labor	49,406	47,217
Depreciation	101,335	76,483
Director's Expense	2,110	2,240
Insurance	20,947	18,676
Meter Reading	18,551	16,649
Permit Fees	4,658	4,490
Other	9,255	10,027
Payroll Taxes	2,272	2,245
Professional Fees	18,360	17,010
Repairs and Maintenance	53,857	16,473
Salaries and Wages	27,590	27,419
Supplies - Maintenance	31,762	30,351
Supplies - Office	6,622	8,309
Utilities	38,957	33,737
Vehicle Expense	5,560	5,246
Total Operating Expenses	<u>438,576</u>	<u>372,861</u>
Operating Income (Loss)	<u>24,262</u>	<u>94,218</u>
Nonoperating Revenues (Expenses)		
Realized Gain (Loss) on Sale of Fixed Assets	-	2,945
State Grant Revenue	-	132,800
Bond Issuance Costs Incurred in Current Period	-	(7,750)
Interest Income	484	961
Interest Expense	(65,071)	(34,503)
Other Income	92	-
Total Nonoperating Revenues (Expenses)	<u>(64,495)</u>	<u>94,453</u>
Change in Net Position	<u>(40,233)</u>	<u>188,671</u>
Total Net Position, Beginning	<u>1,206,728</u>	<u>1,018,057</u>
Total Net Position, Ending	<u>\$ 1,166,495</u>	<u>\$ 1,206,728</u>

Bogue Lusa Waterworks District
Statements of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013	2012
Cash Flows From Operating Activities		
Received From Customers	\$ 441,258	\$ 449,660
Received for Meter Deposit Fees	3,766	3,701
Other Receipts	15,356	20,086
Payments for Operations	(336,918)	(341,209)
Payments to Employees	(29,862)	(29,664)
Net Cash Provided by Operating Activities	93,600	102,574
Cash Flows From Noncapital Financing Activities		
Other Receipts	92	132,800
Net Cash Provided by Noncapital Financing Activities	92	132,800
Cash Flows From Capital and Related Financing Activities		
Proceeds from Sale of Capital Acquisitions	-	3,611
(Payments for) Capital Acquisitions	(21,449)	(627,922)
Principal Proceeds from (Repayments for) Long Term Debt	(33,195)	(27,503)
Debt Issue Cost (Payments)	-	(7,750)
Interest Payments for Long Term Debt	(65,494)	(28,560)
Net Cash (Used) by Capital and Related Financing Activities	(120,138)	(688,124)
Cash Flows From Investing Activities		
Receipt of Interest	484	961
Net Cash Provided by Investing Activities	484	961
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(25,962)	(451,789)
Cash and Cash Equivalents, Beginning of Year	758,074	1,209,863
Cash and Cash Equivalents, End of Year	\$ 732,112	\$ 758,074
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Cash Equivalents, Unrestricted	\$ 287,335	\$ 343,385
Cash and Cash Equivalents, Restricted	444,777	414,689
Total Cash and Cash Equivalents	\$ 732,112	\$ 758,074

(Continued)

Bogue Lusa Waterworks District
Statements of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	12/31/13	12/31/12
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 24,262	\$ 94,218
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	101,335	76,483
(Increase) decrease in Accounts Receivable	(2,366)	4,205
(Increase) decrease in Unbilled Receivable	(3,858)	(1,538)
(Increase) decrease in Prepaid Insurance	(2,240)	(463)
Increase (decrease) in Accounts Payable	(27,078)	(72,349)
Increase (decrease) in Accrued Expenses	(221)	(1,683)
Increase (decrease) in Customer Deposits	3,766	3,701
Net Cash Provided by Operating Activities	\$ 93,600	\$ 102,574

(Concluded)

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

Introduction

Bogue Lusa Waterworks District was established July 31, 1969, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a five member governing board of commissioners appointed by the Washington Parish Council. The District serves 1,440 customers as of December 31, 2013. The District's water wells are located southwest of the Bogalusa city limits. The system lines run south to the St. Tammany Parish boundary and west of the Bogalusa city limits for approximately fifteen miles.

Bogue Lusa Water Works District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

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 Bogue Lusa Water Works District is considered a component unit of the Washington Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District to be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This

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Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J - Net Position*.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote I - Long-Term Debt Offerings*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 user charges for the services provided by the enterprise funds. 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments 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 Louisiana law or any other state of the United States, or under the laws of the United States.

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C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. 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.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- The District has investments in one investment pool. The investment pool is LAMP, and the fair value of the position in the pool is the same as the value of the pool shares.
- There is no involuntary participation in an external investment pool.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 Years
Furniture and Equipment	5 - 7 Years
Water System	20 - 30 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

Employees receive two weeks of paid vacation after being employed for one to five years, and three weeks of paid vacation for six to ten years, increasing to six weeks of vacation for employees with over twenty one years of service. Employees are not allowed to carry over vacation from one year to next.

Employees accrue one half day per month of employment for sick leave up to a maximum of forty five days. In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Debt Offerings

Long-term liabilities are recognized within the Enterprise Fund. The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

J. Net Position

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GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

Net Investment in Capital Assets Component of Net Position

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Component of Net Position

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

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M. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2013 and 2012, the District has cash and cash equivalents (book balances), as follows:

	December 31, 2013	December 31, 2012
Demand Deposits	\$ 540,262	\$ 573,066
Time Deposits	39,696	39,653
Louisiana Asset Management Pool (LAMP)	152,154	145,355
	\$ 732,112	\$ 758,074

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, 2013, the District had \$584,708 in deposits (collected bank balances) within four separate banks. Three of the banks had demand deposits, non-interest bearing demand deposits and time deposits each covered by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The first bank held \$411,642 of demand deposits covered by \$250,000 of federal deposit insurance and the remainder of \$161,642 was fully collateralized above the FDIC limits by the Trust Department of the respective financial institution.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

The District did not hold any assets categorized as investments at December 31, 2013. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments when held are carried at fair market value, with the estimated fair market value based on quoted market prices.

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Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2013, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book

entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore, LAMP is considered a cash equivalent.

4. Receivables

The following is a summary of receivables at December 31, 2013 and 2012:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Increase (Decrease)
Accounts Receivable			
Current	\$ 29,749	\$ 30,208	\$ (459)
31-60 Days Past Due	5,797	4,110	1,687
61-90 Days Past Due	1,411	-	1,411
Over 90 Days Past Due	-	273	(273)
Subtotal	<u>36,957</u>	<u>34,591</u>	2,366
Allowance for Uncollectible Accounts	<u>(1,700)</u>	<u>(1,700)</u>	-
Net Accounts Receivable	<u>\$ 35,257</u>	<u>\$ 32,891</u>	<u>\$ 2,366</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

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Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2013, accrued billings amounts were \$18,176, and \$14,318 at December 31, 2012.

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2013 is as follows:

	<u>Beginning Balance 12/31/12</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/13</u>
Capital Assets				
Capital Assets - Not Depreciated				
Land	\$ 38,025	\$ -	\$ -	\$ 38,025
Total Capital Assets - Not Depreciated	<u>38,025</u>	<u>-</u>	<u>-</u>	<u>38,025</u>
Capital Assets - Depreciated				
Buildings	231,387	-	-	231,387
Equipment	107,506	-	-	107,506
Furniture and Fixtures	1,850	-	-	1,850
Vehicles	17,862	21,449	-	39,311
Utility System	<u>3,491,851</u>	<u>-</u>	<u>-</u>	<u>3,491,851</u>
Total Capital Assets - Depreciated	3,850,456	21,449	-	3,871,905
Less Accumulated Depreciation	<u>(2,105,924)</u>	<u>(101,335)</u>	<u>-</u>	<u>(2,207,259)</u>
Total Capital Assets - Depreciated - Net	1,744,532	(79,886)	-	1,664,646
Total Capital Assets, Net	<u>\$ 1,782,557</u>	<u>\$ (79,886)</u>	<u>\$ -</u>	<u>\$ 1,702,671</u>

During the fiscal year ending December 31, 2013, a new truck was purchased for \$21,449. The District had no asset disposals during the year. Depreciation expense for the fiscal year ending December 31, 2013 totaled \$101,335.

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6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2013:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
1993 Water Revenue Bonds	\$ 210,736	\$ -	\$ (6,825)	\$ 203,911	\$ 7,298
1998 Water Revenue Bonds	333,146	-	(6,885)	326,261	7,401
2011 Water Revenue Bonds	765,000	-	(20,000)	745,000	20,000
Total Long-Term Debt	<u>\$ 1,308,882</u>	<u>\$ -</u>	<u>\$ (33,710)</u>	<u>\$ 1,275,172</u>	<u>\$ 34,699</u>
Less:					
Unamortized Premium (Discount)	<u>(12,314)</u>	<u>-</u>	<u>515</u>	<u>(11,799)</u>	<u>515</u>
Total Long Term Debt	<u>\$ 1,296,568</u>	<u>\$ -</u>	<u>\$ (33,195)</u>	<u>\$ 1,263,373</u>	<u>\$ 35,214</u>

Bonds Payable as of December 31, 2013 and 2012 is as follows:

		<u>December 31, 2013</u>	<u>December 31, 2012</u>
Water System	\$ 290,000 RUS Revenue Bonds 91-05 sold to Rural Utility Service		
Dated 3/8/1993	due in monthly installments of principal and interest of		
\$ 1,542	through 4/8/2033 interest at 5.625%	\$ 203,911	\$ 210,736
Water System	\$ 400,000 RUS Revenue Bonds 91-06 sold to Rural Utility Service		
Dated 12/9/1998	due in monthly installments of principal and interest of		
\$ 1,880	through 12/9/2038 interest at 4.75%	326,261	333,146
Water System	\$ 780,000 Series 2011 Revenue Bonds sold privately		
Dated 8/30/2011	due in annual installments of principal and semi-annual interest averaging		
\$ 55,184	per year to 7/1/2036 interest ranging from 4.00% to 5.375%	745,000	765,000
		<u>\$ 1,275,172</u>	<u>\$ 1,308,882</u>

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The annual requirements to amortize all debt outstanding as of December 31, 2013, including interest payments of \$934,624 are as follows:

Year Ending 12/31/13	1993 Water Revenue Bonds	1998 Water Revenue Bonds	2011 Water Revenue Bonds	Total
	\$ 290,000	\$ 400,000	\$ 780,000	
2014	\$ 18,504	\$ 22,560	\$ 56,825	\$ 97,889
2015	18,504	22,560	56,025	97,089
2016	18,504	22,560	55,225	96,289
2017	18,504	22,560	54,425	95,489
2018	18,504	22,560	53,625	94,689
2019 to 2023	92,520	112,800	278,844	484,164
2024 to 2028	92,520	112,800	280,682	486,002
2029 to 2033	80,184	112,800	280,470	473,454
2034 to 2038	-	112,800	171,931	284,731
	<u>\$ 357,744</u>	<u>\$ 564,000</u>	<u>\$ 1,288,052</u>	<u>\$ 2,209,796</u>

7. Flow of Funds, Restrictions on Use

With the payoff in year 2011 of the Water Revenue Bonds, Series 1993, and the Water Revenue Bonds, Series 1998, the remaining bonds are parity bond obligations and consist of the 1993 Water Revenue Bonds, the 1998 Water Revenue Bonds, and the 2011 Water Revenue Bonds, as described below.

On July 9, 1992, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$290,000 of revenue bonds for the purpose of extending and improving the existing water works system. On March 8, 1993, \$290,000 of the bonds were sold to RUS. The bonds were issued at par for forty years with interest at 5.625 percent, maturing on April 8, 2033.

On October 8, 1998, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$400,000 of revenue bonds for the purpose of extending and improving the existing water works system. On December 9, 1998, \$400,000 of the bonds were sold to RUS. The bonds were issued at par for forty years with interest at 4.75 percent, maturing on December 9, 2038.

On July 27, 2010, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$1,205,000 of revenue bonds for the purpose of constructing and acquiring improvements and extensions to the existing water works system, for funding a debt service reserve fund, and for funding the costs of issuance. On August 30, 2011, \$780,000 of the bonds were sold through a private lender. The bonds are payable with semi-annual interest payments and annual principal payments with annual interest rates varying from 4.0% to 5.375%, and mature on July 1, 2036.

Under the terms of the bond proceeds to the District, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the combined water system of the

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District after provision has been made for payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system.

For bonds through the USDA, a "Bond and Interest Sinking Fund" fund is not required since the monthly debt installments are automatically drafted from the accounts of the District. The District is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with the USDA Rural Utility Service. For the Series 2011 Water Revenue Bond, commencing on January 20, 2012, the District must deposit funds into a Series 2011 Sinking Fund, on or before the twentieth (20th) of each month thereafter, one-sixth (1/6) of the amount required to make the interest payment on the bonds due on the next interest payment date and, commencing on July 20, 2012, and on or before the twentieth (20th) of each month thereafter, one-twelfth (1/12) of the amount required to make the principal payment on the bonds due on the next principal date plus such additional sums to pay principal, premium, if any, and interest on the Series 2011 bonds. At December 31, 2013, the Series 2011 Sinking Fund was fully funded.

For the USDA bonds, there shall also be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent (5%) of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. After the Bond Reserve Fund is fully funded, the required monthly deposit equal to 5% of the monthly bond payment is to be deposited into the Depreciation and Contingency Fund.

As of December 31, 2013, the District maintained a balance of \$181,604, exceeding the required deposit for the USDA required Bond Reserve Fund. The current maximum deposit requirement, equal to the highest annual debt service in any future year, now equals \$41,064 after payoff in year 2011 of the Water Revenue Bonds, Series 1993, and the Water Revenue Bonds, Series 1998. Such amounts in the Reserve Fund may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.

The privately held bonds, the Series 2011 Bonds, require the lesser of a sum of ten percent of the aggregate principal amount of all Bonds Outstanding or a sum equal to the highest combined maximum principal and interest requirements for any succeeding Bond Year Outstanding or 125 percent of the aggregate average annual debt service on all Bonds Outstanding. However, a Series 2011 Reserve Fund was fully funded at bond closing with a payment of \$58,337.26, and at December 31, 2013 was fully funded.

The monthly deposit requirement for the USDA bonds for the "Depreciation and Contingency Fund" is equal to five percent of the monthly bond payment and is to continue for the term of the bonds. In addition, at the point that the "Utility System Revenue Bond Reserve Fund" is fully funded, in an amount equal to the highest annual debt service payment in any future year, the required monthly "Utility System Revenue Bond Reserve Fund Payment" is to be made to the Depreciation and Contingency Fund." As noted, the "Utility System Revenue Bond Reserve Fund" is fully funded, increasing the monthly deposit requirement for the Depreciation and Contingency Fund to \$342 per month, at an amount equal to ten percent of the monthly bond payment.

For the fiscal year ended December 31, 2013, the USDA required "Depreciation and Contingency Fund" was over funded with a balance maintained of \$176,529, as compared to balance of \$172,347 at

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December 31, 2012. Money in this fund will be used for the making of repairs or replacements to the system, for depreciable capital items, which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds.

As noted, the Series 2011 bonds were issued in parity with the 1993 Water Revenue Bonds and the 1998 Water Revenue Bonds. The Series 2011 Bonds require the following covenants:

The Issuer, through its governing authority, by proper resolution and/or resolutions, hereby covenant to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will provide revenues in each fiscal year, funds sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year, the principal and interest maturing on the outstanding parity bonds and the bonds in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide "Net Revenue" at least equal to 125% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any other obligations secured or payable from "Net Revenue". "Net Revenue", per the applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2013, Net Revenues were computed to be below the 125 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 123 percent.

All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

8. Restricted and Designated Net Position

At December 31, 2013, Bogue Lusa Waterworks District recorded \$388,068 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

9. Litigation and Claims

There is no pending litigation as of December 31, 2013.

10. Intergovernmental Agreement

The Bogue Lusa Waterworks District entered into a service agreement with the Varnado Waterworks District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for the Bogue Lusa Water Works District. The fee for this service was \$2.25 per customer per month through April 2010. The fee increased to \$2.35 per customer per month until June of 2012, after which the fee was increased to \$2.60 payable monthly. The actual amount paid to

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Varnado Water District is adjusted at fiscal year-end based on joint operating costs incurred by Varnado Waterworks District.

Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District will be billed monthly at two times the employees' hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the Bogue Lusa Waterworks District \$.35 cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement, and the actual amount paid to Varnado Water District will be adjusted at fiscal year-end based on joint operating costs incurred by Varnado Waterworks District. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

11. Subsequent Events

Effective January 2014, the customer water rates increased to a \$17.00 base rate for residential customers and \$2.75 per 1,000 gallons over 2,000 gallons. The commercial base rate increased to \$48.00 and \$3.00 per 1,000 gallons over 15,000 gallons.

These financial statements considered subsequent events through April 28, 2014, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2013.

Other Supplemental Information

Bogue Lusa Waterworks District
Budgetary Comparison Schedule
For the year ended December 31, 2013
(With comparative amounts for the fiscal year ended December 31, 2012)

	2013 Budget	2013 Actual	Variance Favorable (Unfavorable)	2012 Actual
Operating Revenues				
Water Sales	\$ 447,000	\$ 443,624	\$ (3,376)	\$ 445,455
Penalties	12,100	12,117	17	12,835
Installation Fees	3,300	3,000	(300)	3,900
Reconnect Fees	3,400	3,950	550	3,800
Other	300	147	(153)	1,089
Total Operating Revenues	<u>466,100</u>	<u>462,838</u>	<u>(3,262)</u>	<u>467,079</u>
Operating Expenses				
Advertising	500	435	65	283
Bad Debts	-	-	-	10,376
Contract Operations & Maintenance	45,000	46,899	(1,899)	45,630
Contract Labor	51,000	49,406	1,594	47,217
Depreciation and Amortization	101,000	101,335	(335)	76,483
Director's Expense	2,200	2,110	90	2,240
Insurance	23,300	20,947	2,353	18,676
Meter Reading	17,200	18,551	(1,351)	16,649
Permit Fees	4,700	4,658	42	4,490
Other	9,850	9,255	595	10,027
Payroll Taxes	2,350	2,272	78	2,245
Professional Fees	21,200	18,360	2,840	17,010
Repairs and Maintenance	51,000	53,857	(2,857)	16,473
Salaries and Wages	27,000	27,590	(590)	27,419
Supplies - Maintenance	27,000	31,762	(4,762)	30,351
Supplies - Office	7,000	6,622	378	8,309
Utilities	40,000	38,957	1,043	33,737
Vehicle Expense	5,350	5,560	(210)	5,246
Total Operating Expenses	<u>435,650</u>	<u>438,576</u>	<u>(2,926)</u>	<u>372,861</u>
Operating Income (Loss)	<u>30,450</u>	<u>24,262</u>	<u>(6,188)</u>	<u>94,218</u>
Nonoperating Revenues (Expenses)				
Realized Gain (Loss) on Sale of Fixed Assets	-	-	-	2,945
State Grant Revenue	-	-	-	132,800
Bond Issuance Costs Incurred in Current Period	-	-	-	(7,750)
Interest Income	450	484	34	961
Interest Expense	(65,000)	(65,071)	(71)	(34,503)
Other Income	-	92	92	-
Total Nonoperating Revenues (Expenses)	<u>(64,550)</u>	<u>(64,495)</u>	<u>55</u>	<u>94,453</u>
Change in Net Position	<u>(34,100)</u>	<u>(40,233)</u>	<u>(6,133)</u>	<u>188,671</u>
Total Net Position, Beginning	<u>1,206,728</u>	<u>1,206,728</u>	<u>-</u>	<u>1,018,057</u>
Total Net Position, Ending	<u>\$ 1,172,628</u>	<u>\$ 1,166,495</u>	<u>\$ (6,133)</u>	<u>\$ 1,206,728</u>

**Bogue Lusa Waterworks District
Schedule of Insurance
For the year ended December 31, 2013**

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Western Surety Company 18274192	Fidelity Bond:		7/6/2013 to 7/6/2014
	President	\$ 100,000	
	Secretary-Treasurer	100,000	
	Office Manager	100,000	
	Clerk	25,000	
American Alternative Insurance Company GPPA-PF-6052755-03/000	Commercial General Liability:		10/16/2013 to 10/16/2014
	General Aggregate	3,000,000	
	Each Occurrence	1,000,000	
	Products / Completed Oper.	3,000,000	
	Personal & Advertising Injury	1,000,000	
	Fire Damage	1,000,000	
	Medical Expense	10,000	
	Crime Coverage	10,000	
	Umbrella	2,000,000	
	Property	768,625	
	Equipment	500,000	
	Business Automobile:		
	Liability	1,000,000	
Uninsured Motorist	1,000,000		
Comprehensive	As scheduled		
Collision	As scheduled		
Medical Payments	5,000		
Louisiana Workers Compensation Corp 116143-A	Workers Compensation:		2/1/2013 to 2/1/2014
	Each Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

Bogue Lusa Waterworks District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2013

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Howard Stewart, President (985) 735-6424	11175 Pine Ridge Road Bogalusa, LA 70427	\$ 550	12/31/18
Jim Willis, Vice-President (985) 732-3040	29081 Louisiana Highway 1074 Bogalusa, LA 70427	360	12/31/16
Leo Mickenheim (985) 732-4888	18180 Wells Rd. Bogalusa, LA 70427	360	12/31/17
Carolyn Bridges (985) 732-3762	103 Red Bird Lane Bogalusa, LA 70427	400	12/31/14
Deborah Baughman (985) 516-1391	57573 Spring Valley Rd Bogalusa, LA 70427	360	12/31/15
Jean Brown (985) 735-1256	58438 Hwy 60 Bogalusa, LA 70427	80	Resigned March 2013
		<u>\$ 2,110</u>	

Bogue Lusa Waterworks District
Schedule of Water Rates
For the year ended December 31, 2013

Water	
Residential Rates	Commercial Rates
\$ 14.00 - First 2,000 Gallons	\$ 45.00 - First 15,000 Gallons
2.40 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 2.40 - Per 1,000 Gallons of Water over 15,000 Gallons

As of December 31, 2013 and 2012, the district had the following number of customers:

Schedule of Water Customers
As of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012	Increase (Decrease)
Customers			
Residential	1,418	1,406	12
Commercial	20	20	-
School	2	2	-
Total Customers	1,440	1,428	12

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Minda B. Raybourn

Certified Public Accountant

820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438
(985)839-4413
FAX (985)839-4402

MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, LA

Ladies and Gentlemen:

I have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Bogue Lusa Waterworks District, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the period ended December 31, 2013, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representations regarding the sufficiency of the procedures described below neither for the purpose for which this report has been requested nor for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LAS-RS 38:2211-2251 (the public bid law).

The District did not have any purchases that exceed \$30,000 but had a public works contract exceeding \$150,000. The Commission complied with public bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list of board members, their immediate family members, and their outside business interests.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2), as immediate family members. Also determine if any vendors included in procedure (2) were included in any cash disbursements listing.

The one employee included on the list provided by management in procedure (3) appeared on the list provided by management in procedure (2). None of the business interest provided in procedure (2) were listed in the cash disbursement journals I examined for 2013.

Budgeting

5. Obtain a copy of the legally adopted original budget and all amendments.

Management provided me with copies of the original.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the 2013 original budget to the District's minutes. The original budget was approved at the meeting of December 13, 2012 and the amended budget was approved at meeting on December 10, 2013.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

Actual revenues and expenses were within five per cent of budgeted amounts for the year.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

(a) Trace payments to supporting documentation as to proper amount and payee:

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

(b) Determine if payments were properly coded to the correct fund and general ledger account;

The six payments I examined were coded to the correct general ledger accounts and proper fund.

(c) Determine whether payments received approval from proper authorities.

Inspection of documentation supporting the six selected disbursements indicates approval to purchase from the Board of Commissioners.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-12 (the open meetings law).

Bogue Lusa Waterworks District meets once a month, and therefore, places the notice of meeting in the local newspaper. The agenda for each meeting is placed on the door of the District's office two days prior to each meeting. Management has asserted that the agenda was properly posted. I examined copies of meeting notices containing date, time, place and business to be conducted, which are filed with the minutes of each meeting.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

I inspected copies of all bank statements deposits for the 12-month period under examination and did not detect any deposits which appeared to be proceeds of bank loans, bonds or like indebtedness.

Advances and Bonuses

11. Examine records and minutes for the year to determine whether any payments have been made to board member, which may constitute bonuses, advances, or gifts.

I scanned cash disbursement records and minutes for evidence of any payments which may constitute bonuses, advances, or gifts to Board members, none were noted.

I was not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Bogue Lusa Waterworks District, the Legislative Auditor, State of Louisiana and the Washington Parish Government and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Minda Raybourn

Minda B. Raybourn, CPA
Certified Public Accountant

July 7, 2014

LOUISIANA ATTESTATION QUESTIONNAIRE

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Government Agencies)

12//30/2013 FINANCIAL STATEMENTS

Bogue Lusa Waterworks District
26070 Highway 21
Varnado, LA 70426

Minda B. Raybourn CPA, LLC
820 11th Ave
Franklinton, LA 70438

In connection with your review of our financial statements as of December 31, 2013 and for year then ended and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations. These representations are based on the information available to us as of June 13, 2014.

LEGAL COMPLIANCE

PART II. PUBLIC BID LAW

The provisions of the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

Yes [x] No []

**PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS
AND PUBLIC EMPLOYEES**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [X] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [X] No []

PART IV. LAWS AFFECTING BUDGETING

We have complied with the budgeting requirements of the Local Government Budget Act (R.S. 39:1301-16) or the budget requirements of R.S. 39:34, as applicable:

Yes [X] No []

PART V. ACCOUNTING, AND FINANCIAL REPORTING LAWS

We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with R.S. 24:513 and 515, and/or 33:463.

Yes [X] No []

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [X] No []

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463, and/or 39:92, where applicable.

Yes [X] No []

We have had our financial statements audited or compiled in a timely manner in accordance with R.S. 24:513.

Yes [X] No []

PART VI. MEETINGS

We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:1 through 42:13.

Yes [X] No []

PART VII. ASSET MANAGEMENT LAWS

We have maintained records of our fixed assets and movable property records, as required by R.S. 24:515 and/or 39:321-332, as applicable.

Yes [X] No []

PART VIII. FISCAL AGENCY AND CASH MANAGEMENT LAWS

We have complied with the fiscal agency and cash management requirements of R.S. 39:1211-45 and 49:301-327, as applicable.

Yes [X] No []

PART IX. DEBT RESTRICTION LAWS

It is true we have not incurred any long-term indebtedness, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [X] No []

PART X. REVENUE AND EXPENDITURE RESTRICTION LAWS

We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes [X] No []

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729. Yes [X] No []

It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 of the 1974 Louisiana Constitution. Yes [X] No []

PART XI. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS

Waterworks Districts

49. We have complied with the statutory requirements of R.S. 33:3811-3837. Yes [X] No []

The previous responses have been made to the best of our belief and knowledge.

Mary Adams Secretary 6-13-14 Date
J. Howard Stewart Treasurer _____ Date
J. Howard Stewart President 6-13-14 Date