

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Annual Financial Report
December 31, 2004 and 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-6-05

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Annual Financial Report
December 31, 2004 and 2003
With Supplemental Information Schedules**

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Accountant's Review Report.....			1 – 2
Management's Discussion and Analysis.....			3 - 10
Business-Type Financial Statements:			
Balance Sheet	A		11-12
Statement of Revenues, Expenses, and Changes in Net Assets.....	B		13-14
Statement of Cash Flows	C		15-16
Notes to the Financial Statements			17-28
Supplemental Information Schedules:			
Budgetary Comparison Schedule.....		1	29-30
Schedule of Insurance.....		2	31
Schedule of Compensation Paid Board of Commissioners.....		3	32
Schedule of Water Customers and Schedule of Water Rates.....		4	33
Independent Accountant's Report – Agreed-Upon Procedures.....			34-37
Louisiana Attestation Questionnaire.....			38-39

William R. Durden

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MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

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

I have reviewed the accompanying financial statements of the business-type activities of the Bogue Lusa Waterworks District, a component unit of the Washington Parish Government, as of and for the fiscal year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents, and the accompanying management's discussion and analysis, and supplementary information schedules on pages 3 through 10 and 29 through 33 respectively, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the board of commissioners of the Bogue Lusa Waterworks District.

A review consists principally of inquiries of the District's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my reviews, 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 generally accepted accounting principles.

The management's discussion and analysis, on page 3 through 10, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

(continued)

William R. Durden

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MEMBER
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MEMBER
L.C.P.A.

My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the management's discussion and analysis, and accompanying supplementary schedules, pages 3 through 10 and 29 through 33 are presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to them.

In accordance with the *Louisiana Audit Guide* and the provisions of state law, I have issued a report, dated April 22, 2005, on the results of my agreed-upon procedures.

William R Durden CPA, LLC

May 31, 2005

Management's Discussion and Analysis

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Introduction

Bogue Lusa Water Works District is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets for the year were \$1,747,329 at December 31, 2004, and exceeded liabilities in the amount of \$687,102 (i.e., net assets). Of the total net assets, \$160,365 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service.
- User fee revenues (water sales) for the fiscal year ending December 31, 2004 remained relatively constant increasing to \$337,507 representing an approximate 1% increase from the total user fees of \$334,399 for the fiscal year ending December 31, 2003. One of the reasons for the stability in total water sales was that the total customers only increased by six from the prior year, totaling 1,377 at December 31, 2004.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than interest income and interest expense, decreased by \$4,183 as compared to the prior year, totaling \$302,482 for the fiscal year ended December 31, 2004.
- The District, in an effort to better serve customers, completed construction of a new office building. A total of \$214,187 was recorded for building and site improvements.
- Total long-term debt decreased from \$1,091,892 at December 31, 2003, to \$1,029,107 at December 31, 2004. The decrease of \$62,785 is due primarily to the payment of principal on outstanding bonds.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Overview of 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 Water Works 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets 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 Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets 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 Water Works 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 Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, 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 Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Condensed Statement of Net Assets

	December 31 2004	December 31 2003	Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 472,345	\$ 609,587	\$ (137,242)	-22.51%
Capital Assets	1,274,984	1,281,041	(6,057)	-0.47%
Total Assets	1,747,329	1,890,628	(143,299)	-7.58%
Liabilities:				
Long-Term Debt Outstanding	974,069	1,044,481	(70,412)	-6.74%
Other Liabilities	86,158	177,960	(91,802)	-51.59%
Total Liabilities	1,060,227	1,222,441	(162,214)	-13.27%
NetAssets:				
Invested in Capital Assets, Net of Related Debt	245,877	91,184	154,693	169.65%
Restricted for Capital Activity and Debt Service	280,860	262,387	18,473	7.04%
Unrestricted	160,365	314,616	(154,251)	-49.03%
Total Net Assets	\$ 687,102	\$ 668,187	\$ 18,915	2.83%

The major components of change for "Current and Other Assets" are

"Capital Assets" decreased by \$6,057, reflecting \$85,562 in total additions consisting of \$83,712 in construction expenditures for the new office building and \$1850 for office furniture and fixtures, less the depreciation recorded on capital assets of \$91,619 for the fiscal year ending December 31, 2004.

Long-Term Debt Outstanding" decreased by \$70,412.

"Other Liabilities" decreased by \$91,802 due primarily to a decrease of \$88,365 in construction payable, a \$9,600 reduction in retainage payable paid when the new office building was completed, an increase in current bond payable of \$7,627, and a decrease in customer deposits payable of \$2800.

"Total Net Assets" (total assets less total liabilities) increased by \$18,915 for the fiscal year ending December 31, 2004.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31 2004	Year Ended December 31 2003	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 351,613	\$ 345,024	\$ 6,589	1.91%
Nonoperating Revenues	10,422	9,798	624	6.37%
Total Revenues	<u>362,035</u>	<u>354,822</u>	<u>7,213</u>	<u>2.03%</u>
Expenses:				
Depreciation	91,619	86,337	5,282	6.12%
Other Operating Expense	210,863	220,328	(9,465)	-4.30%
Nonoperating Expense	38,938	59,994	(21,056)	-35.10%
Total Expenses	<u>341,420</u>	<u>366,659</u>	<u>(25,239)</u>	<u>-6.88%</u>
Income	20,615	(11,837)	32,452	-274.16%
Net Assets, Beginning of Year	668,187	680,024	(11,837)	-1.74%
Prior Year Adjustment for Allowance for Bad Debt	(1,700)	-	(1,700)	100.00%
Net Assets, End of Year	<u>\$ 687,102</u>	<u>\$ 668,187</u>	<u>\$ 18,915</u>	<u>2.83%</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how Bogue Lusa Water Works District is being conservatively managed. Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) remained fairly constant with a \$6,589 increase from the prior fiscal year. Nonoperating revenues, consisting of interest income, decreased by \$922, other income decrease by \$4,454 but the District received grant revenue of \$6,000 which resulted in net increase of \$624.

Total expenses decreased by \$25,239, with the major decrease consisting of \$21,056 in "Non-Operating Expense" category. The primary reason for the decrease was that bond installment payments were applied solely to the principle balance of Loan 91-01, and no interest expense charged on this revenue bond for the year ending December 31, 2004, because of prepayment of bond principle.

The District showed a profit of \$20,615 for the year ended December 31, 2004, improving from the reported loss of \$11,837 for the year ended December 31, 2003.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Budgetary Highlights

Bogue Lusa Water Works 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 a 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, 2004

	Budget Year Ended December 31, 2004	Actual Year Ended December 31, 2003	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 351,613	\$ 345,024	\$ (6,589)
Non-operating	10,422	9,798	(624)
Total Revenues	<u>362,035</u>	<u>354,822</u>	<u>(7,213)</u>
Operating Expenses:			
Accounting	13,250	6,525	6,725
Board of Directors	2,000	2,040	(40)
Contract Labor	54,041	47,182	6,859
Contract Meter Readers	12,529	11,889	640
Contract Operation & Maintenance	26,544	28,752	(2,208)
Depreciation Expense	91,619	86,337	5,282
Insurance	18,167	33,890	(15,723)
Maintenance Supplies	17,999	17,316	683
Office Expense	5,195	5,185	10
Repairs & Maintenance	10,185	8,966	1,219
Utilities	35,546	42,150	(6,604)
Other Operating Expenses	15,407	16,433	(1,026)
Total Operating Expenses	<u>302,482</u>	<u>306,665</u>	<u>(4,183)</u>
Non-Operating Expenses:			
Interest Expense	38,938	59,994	(21,056)
Total Non-operating Expenses	<u>38,938</u>	<u>59,994</u>	<u>(21,056)</u>
Total Expenses	<u>341,420</u>	<u>366,659</u>	<u>(25,239)</u>
Income (Loss) Before Prior Period Adjustment	20,615	(11,837)	(32,452)
Net Assets, Beginning of Year	668,187	680,024	11,837
Prior Period Adjustment	(1,700)		(1,700)
Net Assets, End of Year	<u>\$ 687,102</u>	<u>\$ 668,187</u>	<u>\$ (18,915)</u>

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

There was no significant variation between the final budget-to-actual for Operating Revenues or operating Expenses. The variation, as noted, for interest expense occurred since bond installment payments were applied to the principle balance of Loan #91-01 and no interest incurred for this loan for year ending December 31, 2004.

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

	December 31, 2004	December 31, 2003	Increase Decrease
Customers:			
Residential	1,352	1,346	6
Commercial	23	23	-
School	2	2	-
Total	<u>1,377</u>	<u>1,371</u>	<u>6</u>

Customers increased by six (6) from the prior fiscal year.

Other Significant Trends and Account Changes (Continued)

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, 2004 and 2003.

	December 31, 2004	December 31, 2003	Increase (Decrease)
0-30 Days Past Due	\$ 20,307	\$ 22,246	\$ (1,939)
31-60 Days Past Due	4,851	5,103	(252)
61-90 Days Past Due	356	1,033	(677)
Over 90 Days Past Due	-	771	(771)
Total Account Receivable			
Before Allowance For Bad Debt	<u>\$ 25,514</u>	<u>\$ 29,153</u>	<u>\$ (3,639)</u>

Total receivables for the water district decreased by \$3,639 from the period of December 31, 2003, to December 31, 2004, with decreases in all categories past due.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Capital Assets

At the end of the fiscal year ending December 31, 2004, Bogue Lusa Water Works District had \$1,274,984 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, the District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2004	December 31, 2003	Dollar Change	Percent Change
Land	\$ 38,025	\$ 38,025	\$ -	-
Office Equipment	54,530	54,530	-	-
Office Furnitures	1,850	-	1,850	100.00%
Buildings	214,187	7,549	206,638	2737.29%
Water Distribution System	2,410,551	2,410,551	-	-
Construction in Progress	-	122,926	(122,926)	-100.00%
Subtotal	2,719,143	2,633,581	85,562	3.25%
Less: Accumulated Depreciation	(1,444,159)	(1,352,540)	(91,619)	6.77%
Net Capital Assets	<u>\$ 1,274,984</u>	<u>\$ 1,281,041</u>	<u>\$ (6,057)</u>	<u>-0.47%</u>

During the year ending December 31, 2004, additional construction expenses totaling \$83,712 was incurred by the District, bringing the total complete construction cost for new office building to \$214,187. A total of \$7,549 in costs related to the building construction and \$122,926 for construction in progress had been incurred in the prior fiscal year. An additional \$1,850 was incurred in costs for office furniture & fixtures.

Long-Term Debt Activity

The primary source of long-term financing for Bogue Lusa Water Works District's water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interim financing, pending completion of construction, is generally financed by private financial institutions or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2004, range from 4.75% to 5.625%, with initial payment terms for bonds generally at 40 years.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Bonds financed for Bogue Lusa Water Works District do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. Two variations of the Debt to Assets Ratio, Total Debt to Net Assets and also Total Long-Term Debt to Net Assets, are presented below. As indicated, the ratios are only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2004	December 31, 2003
Total Long-Term Debt	\$ 974,069	\$ 1,044,481
Total Net Assets	\$ 687,102	\$ 668,187
Total Long-Term Debt to Net Assets Ratio	1.41	1.56

Future Economic Plans

The Bogue Lusa Water Works District's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. Because of operating losses in prior year and the need to maintain reserves for system repairs and expansions, the District implemented a rate increase, to be effective January 1, 2005. During the year ending December 31, 2004, the District also finalized construction of a new office building to better serve customers of the District. The office is located at 101 Ralph Drive, Bogalusa, Louisiana.

Financial Statements

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement A

**Statement of Net Assets
December 31, 2004 and 2003**

Assets	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash - Operating	\$ 128,423	\$ 274,592
Accounts Receivable-Net of Allowance for Bad Debts	22,570	29,153
Accrued Billings	15,943	15,121
Due From Other Governments	-	1,132
Prepaid Insurance	13,549	13,402
Total Current Assets	<u>180,485</u>	<u>333,400</u>
Restricted Assets:		
Cash - Customers' Deposits	5,600	5,510
Cash - RUS Bond Reserve Fund	118,448	117,068
Cash - RUS Depreciation & Contingency Fund	167,812	153,609
Total Restricted Assets	<u>291,860</u>	<u>276,187</u>
Capital Assets:		
Land	38,025	38,025
Office Equipment	54,530	54,530
Office Furniture	1,850	-
Buildings	214,187	7,549
Water Distribution System	2,410,551	2,410,551
Construction In Progress - Building	-	122,926
Total Capital Assets	<u>2,719,143</u>	<u>2,633,581</u>
Less: Accumulated Depreciation	-1,444,159	-1,352,540
Net Capital Assets	<u>1,274,984</u>	<u>1,281,041</u>
Total Assets	<u>1,747,329</u>	<u>1,890,628</u>

(Continued)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement A

**Statement of Net Assets
December 31, 2004 and 2003**

Liabilities and Net Assets	<u>2004</u>	<u>2003</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 3,887	\$ 4,768
Accrued Audit Fee	3,400	3,400
Sales Tax Payable	85	90
Due to Other Governments	10,188	8,109
Construction - Accounts Payable	-	88,365
Retainage Payable	-	9,600
Accrued RUS Bond Interest	2,560	2,417
Current RUS Bond Payable	<u>55,038</u>	<u>47,411</u>
Total Current Liabilities (Payable From Current Assets)	<u>75,158</u>	<u>164,160</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits Payable	<u>11,000</u>	<u>13,800</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>11,000</u>	<u>13,800</u>
Long-Term Liabilities:		
1976 Water Revenue Bonds	188,606	225,786
1977 Water Revenue Bonds	165,756	187,032
1993 Water Revenue Bonds	248,336	253,959
1998 Water Revenue Refunding Bonds	371,371	377,704
Total Long-Term Liabilities	<u>974,069</u>	<u>1,044,481</u>
Total Liabilities	<u>1,060,227</u>	<u>1,222,441</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	245,877	91,184
Restricted for Capital Activity and Debt Service	280,860	262,387
Unrestricted	<u>160,365</u>	<u>314,616</u>
Total Net Assets	<u>\$687,102</u>	<u>\$668,187</u>

(Concluded)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement B

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2004 and 2003**

	2004	2003
Operating Revenues		
Water Sales	\$ 337,507	\$ 334,399
Installations	6,750	3,950
Penalties	3,832	3,921
Reconnect Fees	3,060	2,710
Other	464	44
Total Operating Revenues	351,613	345,024
Operating Expenses		
Accounting Fees	13,250	6,525
Advertising	184	688
Board of Directors	2,000	2,040
Contract Labor	54,041	47,182
Contract Meter Readers	12,529	11,889
Contract Operations & Maintenance	26,544	28,752
Conventions & Seminars	700	812
Depreciation Expense	91,619	86,337
Bad Debt Expense	1,706	-
Insurance	18,167	33,890
Maintenance Supplies	17,999	17,316
Membership Dues	200	150
Mowing	3,303	1,900
Office Expense	5,195	5,185
Permits	455	4,353
Professional Services	-	1,257
Repairs and Maintenance	10,185	8,966
Telephone	2,428	2,067
Travel	1,289	1,286
Truck Expense	5,017	3,920
Taxes & Licenses	94	-
Utilities	35,546	42,150
Miscellaneous Expense	31	-
Total Operating Expenses	302,482	306,665
Operating Income	49,131	38,359

(Continued)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement B

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2004 and 2003**

	2004	2003
Nonoperating Revenues (Expenses)		
Interest Income	\$ 4,422	\$ 5,344
Grants Income	6,000	
Other Income	-	4,454
Bond Interest Expense	(38,938)	(59,994)
Total Nonoperating Revenues (Expenses)	(28,516)	(50,196)
Income (Loss) Before Contributions	20,615	(11,837)
Capital Contributions	-	-
Change in Net Assets	20,615	(11,837)
Net Assets, Beginning of Year	668,187	680,024
Prior Period Adjustment for Allowance for Bad Debts	(1,700)	-
Net Assets, End of Year	\$ 687,102	\$ 668,187

(Concluded)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement C

**Statement of Cash Flows
Years Ended December 31, 2004 and 2003**

	2004	2003
Cash Flows From Operating Activities		
Received From Customers	\$ 357,374	\$ 345,088
Received (Paid) for Meter Deposit Fees	(2,800)	600
Received (Paid) to Other Governments	3,211	4,264
Paid for Operations	(211,886)	(210,161)
Net Cash Flows From Operating Activities	145,899	139,791
Cash Flows From Noncapital Financing Activities		
Miscellaneous Income	-	4,454
Grant Income	6,000	
Net Cash Flows From Noncapital Financing Activities	6,000	4,454
Cash Flows From Capital and Related Financing Activities		
Paid for Capital Acquisitions	(185,094)	(57,573)
Principal Payments - Long-Term Debt	(62,785)	(41,736)
Interest Payments - Long-Term Debt	(38,938)	(59,844)
Net Cash Flows From Capital and Related Financing Activities	(286,817)	(159,153)
Cash Flows From Investing Activities		
Receipt of Interest and Dividends	4,422	5,344
Net Cash Flows From Investment Activities	4,422	5,344
Net Change in Cash and Cash Equivalents	(130,496)	(9,564)
Cash and Cash Equivalents - Beginning of Year	550,779	560,343
Cash and Cash Equivalents - End of Year	\$ 420,283	\$ 550,779
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash	\$ 128,423	\$ 274,592
Restricted Cash	291,860	276,187
Cash and Cash Equivalents - End of Year	\$ 420,283	\$ 550,779

(Continued)

See accompanying notes and accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Statement C

**Statement of Cash Flows
Years Ended December 31, 2004 and 2003**

	2004	2003
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income	\$ 49,131	\$ 38,359
Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation Expense	91,619	86,337
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	5,761	64
Decrease (Increase) in Due from Other Governments	1,132	14,900
Decrease (Increase) in Prepaid Insurance	(147)	-
Increase (Decrease) in Accounts Payable	(881)	(4,733)
Increase (Decrease) in Sales Tax Payable	5	-
Increase (Decrease) in Due to Other Governments	2,079	4,264
Increase (Decrease) in Customer Deposits Payable	(2,800)	600
Net Cash Flows From Operating Activities	\$ 145,899	\$ 139,791

(Concluded)

See accompanying notes and accountant's report.

NOTES TO FINANCIAL STATEMENTS

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

Introduction

Bogue Lusa Water Works 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 5-member governing board of commissioners appointed by the Washington Parish Council. The District serves 1,377 customers as of December 31, 2004. 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 15 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 well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee of Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance 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 including a Statement of Net Assets (or balance sheet), a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

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.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

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 Assets. The activity statement 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, primarily the provision of water to rural areas of Washington Parish. Operating expenses for Enterprise 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 entity's policy to use restricted resources first, and 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.

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.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

D. Inventories

Purchases of various operating supplies are regarded as expenses 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 on the balance sheet 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 - 30 years
Equipment & Furniture	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.

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

At December 31, 2004, the District did not have employees that accumulate or vest benefits.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

I. Long-term Liabilities

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

K. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires 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.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

2. Cash and Cash Equivalents

At December 31, 2004, and 2003, the District had cash and cash equivalents (book balances) totaling as follows:

	December 31, 2004	December 31, 2003
Demand Deposits	\$ 49,602	\$ 126,914
Interest-Bearing Demand Deposits	144,607	130,979
Time Deposits	44,692	43,824
LAMP	181,382	249,062
Total Cash and Cash Equivalent	\$ 420,283	\$ 550,779

These deposits are stated at cost, which approximates market value. 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, 2004, the District had \$239,785 in deposits (collected bank balances). These deposits are secured from risk by \$189,564 of federal deposit insurance and \$50,221 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3).

At December 31, 2003, the District had \$302,403 in deposits (collected bank balances). These deposits are secured from risk by \$238,656 of federal deposit insurance and \$63,747 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2004, 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

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

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 maturity in excess of 365 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore; LAMP is considered cash equivalent.

4. Receivables

The following is a summary of receivables at December 31, 2004, and 2003:

	December 31, 2004	December 31, 2003	Increase (Decrease)
0-30 Days Past Due	\$ 20,307	\$ 22,246	\$ (1,939)
31-60 Days Past Due	4,851	5,103	(252)
61-90 Days Past Due	356	1,033	(677)
Over 90 Days Past Due	-	771	(771)
Total Account Receivable			
Before Allowance For Bad Debt	<u>\$ 25,514</u>	<u>\$ 29,153</u>	<u>\$ (3,639)</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 uncollectible accounts.

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, 2004, and 2003 accrued billings amounts were \$15,943, and \$15,121, respectively.

5. Restricted Assets

Restricted assets were applicable to the following at December 31, 2004, and 2003:

	December 31, 2004	December 31, 2003
Cash-Customers' Deposits	\$ 5,600	\$ 5,510
Cash-RUS Bond Reserve	118,448	117,068
Cash-RUS Bond Depreciation and Contingency	167,812	153,609
Total Restricted Assets	<u>\$ 291,860</u>	<u>\$ 276,187</u>

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2004 is as follows:

	December 1, 2004	Additions and Reclassifications	Deletions and Reclassifications	December 31, 2004
Land	\$ 38,025	\$ -	\$ -	\$ 38,025
Office Equipment	54,530	-	-	54,530
Office Furnitures	-	1,850	-	1,850
Buildings	7,549	206,638	-	214,187
Water Distribution System	2,410,551	-	-	2,410,551
Construction in Progress	122,926	83,712	(206,638)	-
Subtotal	2,633,581	292,200	(206,638)	\$ 2,719,143
Less: Accumulated Depreciation	(1,352,540)	(91,619)	-	(1,444,159)
Net Capital Assets	<u>\$ 1,281,041</u>	<u>\$ 200,581</u>	<u>\$ (206,638)</u>	<u>\$ 1,274,984</u>

During the year ending December 31, 2004, additional construction expenses totaling \$83,712 was incurred by the District, bringing the total complete construction cost for new office building to \$214,187. A total of \$83,412 in costs related to the building construction and \$122,926 for construction in progress had been incurred in the prior fiscal year. An additional \$1,850 was incurred in costs for office furniture & fixtures.

Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water distribution system uses a useful life of 20 to 30 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2004, totaled \$91,916.

7. Long-term Debt

The following is a summary of the long-term liability transactions during the fiscal year ending December 31, 2004:

Description	December 1, 2004	Additions	Deletions	December 31, 2004	Due Within One Year
1976 Water Revenue Bonds	\$ 248,392	\$ -	\$ (34,512)	\$ 213,880	\$ 25,274
1977 Water Revenue Bonds	203,242	-	(19,503)	183,739	17,983
1993 Water Revenue Bonds	258,052	-	(4,170)	253,882	5,546
1998 Water Revenue Bonds	382,206	-	(4,600)	377,606	6,235
Total	<u>\$ 1,091,892</u>	<u>\$ -</u>	<u>\$ (62,785)</u>	<u>\$ 1,029,107</u>	<u>\$ 55,038</u>

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

Bonds Payable at December 31, 2004 and 2003 comprise the following issues:

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Water System Revenues- RUS Bonds 91-01: \$540,000 Revenue bonds sold to Rural Utility Service, dated 04/20/76 Due in monthly installments of \$2,876 though 04/20/16; interest at 5%	\$ 213,880	\$ 248,392
Water System Revenues- RUS Bonds 91-03: \$420,000 Revenue bonds sold to Rural Utility Service, dated 09/28/77 Due in monthly installments of \$2,167 though 09/28/17; interest at 5%	183,739	203,242
Water System Revenues- RUS Bonds 91-05: \$290,000 Revenue bonds sold to Rural Utility Service, dated 03/08/93 Due in monthly installments of \$1,542 though 04/08/33; interest at 5.625%	253,882	258,052
Water System Revenues- RUS Bonds 91-06: \$400,000 Revenue bonds sold to Rural Utility Service, dated 12/09/98 Due in monthly installments of \$1,880 though 12/09/38; interest at 4.75%	<u>377,606</u>	<u>382,206</u>
Total Bond Payable	<u><u>\$ 1,029,107</u></u>	<u><u>\$ 1,091,892</u></u>

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$1,023,695 are as follows

Year Ending December 31,	1976 Water Revenue Bonds \$540,000	1977 Water Revenue Bonds \$420,000	1993 Water Revenue Bonds \$290,000	1998 Water Revenue Bonds \$400,000	Total
2005	\$ 34,512	\$ 26,004	\$ 18,504	\$ 22,560	\$ 101,580
2006	34,512	26,004	18,504	22,560	101,580
2007	34,512	26,004	18,504	22,560	101,580
2008	34,512	26,004	18,504	22,560	101,580
2009	34,512	26,004	18,504	22,560	101,580
2010-2014	172,560	130,020	92,520	112,800	507,900
2015-2019	46,016	71,511	92,520	112,800	322,847
2020-2024	-	-	92,520	112,800	205,320
2025-2029	-	-	92,520	112,800	205,320
2030-2034	-	-	61,680	112,800	174,480
2035-2038	-	-	-	90,240	90,240
Totals	\$ 391,136	\$ 331,551	\$ 524,280	\$ 767,040	\$ 2,014,007

8. Flow of Funds, Restrictions on Use

The voters of the Bogue Lusa Water Works District approved the issuance of \$540,000 and \$420,000 of the utility revenue bonds in elections held November 30, 1976, and March 5, 1977. The governing authority of the District adopted a resolution on February 25, 1976, authorizing issuance of \$540,000 of the utility revenue bonds 1976 Series. On April 20, 1976, the District sold the \$540,000 authorized bonds to RUS. The governing authority of the District adopted a resolution on July 26, 1977, authorizing issuance of \$420,000 of the utility revenue bonds - 1977 Series. On September 28, 1977, the District sold the \$420,000 authorized bonds to RUS, also. Both bond issues were issued, for a term of forty years, payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof, at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds were restricted to use for construction and improvements to the District's water system and are subject to the provisions of the resolutions adopted above. The 1976 issue of \$540,000 was used to construct Phase I of the District's waterworks system. The 1977 issue of \$420,000 was used to construct Phase II.

On September 30, 1982, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$350,000 of revenue bonds for the purpose of extending and improving the existing waterworks system. On June 27, 1983, \$300,000 of the bonds was sold to RUS under the same basic terms and conditions mentioned above for the 1976 and 1977 issues. The bonds were issued at par for 40 years with interest at 11.625%. During the year ended December 31, 1989, RUS reduced the interest rate of the bonds from 11.625% to 9.125%. The reduced rate was amortized back to the inception of the bonds. The loan adjustment applied \$14,903 more to principal reduction in the year 1989 than was actually paid. Total payments for 1989 on this 1983 issue were \$35,484. As a result of this rate reduction, the principal balance was reduced \$50,387. Interest expense was reduced by \$14,903 in the year 1989. On March 23, 1998, the governing authority paid off the remaining balance of this loan.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

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 was sold to RUS under the same basic terms and conditions as the original 1976 and 1978 issues. The bonds were issued at par for 40 years with interest at 5.625%.

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 was sold to RUS under the same basic terms and conditions as the original 1976 and 1978 issues. The bonds will be issued at par for 40 years with interest at 4.785%.

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

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. Each month, there will be set aside into a fund, called "Bond and Interest Sinking (Redemption) Fund" a sum equal to one-twelfth (1/12) of the interest due on the next interest payment due and, in addition, a sum equal to one-twelfth (1/12) of the next principal payment due, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule whereby the District can make payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund".

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, 2004, the District maintained a balance of \$118,448, exceeding the required deposit for the Bond Reserve Fund. The current maximum deposit requirement, (equal to the highest annual debt service in any future year) totals \$101,580. Such amounts 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 monthly deposit requirement for the "Depreciation and Contingency Fund" is equal to 5% 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 \$847 per month, at an amount equal to 10% of the monthly bond payment.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

For the fiscal year ended December 31, 2004, the "Depreciation and Contingency Fund" was fully funded with a balance maintained of \$167,812, as compared to balance of \$153,609 at December 31, 2003. 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.

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.

Restricted and Designated Net Assets

At December 31, 2004, Bogue Lusa Water Works District recorded \$280,860 in Restricted Net Assets (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.

10. Prior Period Adjustments

Prior period adjustments were made to correct the beginning Net Assets balance. The adjustments were made to setup allowance for doubtful accounts. The correction to the beginning Net Asset balance is as follows:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/31/2004	Net Asset Balance, Before Prior Period Adjustment	\$ 668,187
	Prior Period Adjustment	
12/31/2004	-for Allowance for Doubtful Accounts	<u>(1,700)</u>
12/31/2004	Net Asset Balance, After Prior Period Adjustment	<u>\$ 666,487</u>

11. Litigation Claims

There are no pending litigations as of December 31, 2004, although Bogue Lusa Water Works District has been involved in continuing negotiations, with the assistance of the Tulane Law Clinic, with the Calpine power generating plant. Initial negotiations involved proposed settlements by the Calpine plant to compensate the District for the possible effect on the aquifer for Calpine's water usage. The District is now in settlement negotiations with Calpine and is seeking an out-of-court settlement.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2004 and 2003**

12. Intergovernmental Agreement

The Bogue Lusa Water Works 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 is \$1.75 per customer per month, payable monthly. 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 employee's 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 thirty-five 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. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

13. Subsequent Events

Effect January 1, 2005, and after holding public hearings, the Board of Commissioners of Bogue Lusa Waterworks District approved a rate increase for residential and commercial rates. The rate increase was deemed necessary to cover anticipated losses and to provide reserves for system replacement and expansion.

Supplemental Information

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 1

**Budgetary Comparison Schedule
Year Ended December 31, 2004**

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
Operating Revenues				
Water Sales	\$ 340,000	\$ \$ 337,000	\$ 337,507	\$ 507
Installations	5,000	7,200	6,750	(450)
Penalties	3,800	3,800	3,832	32
Reconnect Fees	2,800	3,400	3,060	(340)
Collection Expense	50	-	-	-
Other	25	10	464	454
Total Operating Revenues	<u>351,675</u>	<u>351,410</u>	<u>351,613</u>	<u>203</u>
Operating Expenses				
Accounting Fees	15,000	15,600	13,250	2,350
Advertising	800	2,200	184	2,016
Board of Directors	2,800	2,000	2,000	-
Contract Labor	48,000	47,000	54,041	(7,041)
Contract Meter Readers	12,000	12,500	12,529	(29)
Contract Operations & Maintenance	28,800	25,000	26,544	(1,544)
Conventions & Seminars	1,000	850	700	150
Depreciation Expense	90,000	85,000	91,619	(6,619)
Insurance	35,000	22,000	18,167	3,833
Maintenance Supplies	21,000	19,000	17,999	1,001
Membership Dues	250	250	200	50
Mowing	2,300	3,200	3,303	(103)
Office Expense	5,500	4,600	5,195	(595)
Permits	4,500	5,300	455	4,845
Professional Services	1,000	-	-	-
Repairs and Maintenance	12,000	11,300	10,185	1,115
Telephone	2,200	2,500	2,428	72
Travel	1,500	1,300	1,289	11
Truck Expense	4,400	4,800	5,017	(217)
Bad Debts	-	-	1,706	(1,706)
Taxes & Licenses	0	120	94	26
Utilities	42,000	36,500	35,546	954
Miscellaneous Expense	100	-	31	(31)
Total Operating Expense	<u>330,150</u>	<u>301,020</u>	<u>302,482</u>	<u>(1,462)</u>
Operating Income	<u>21,525</u>	<u>50,390</u>	<u>49,131</u>	<u>(1,259)</u>

(Continued)

See accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Budgetary Comparison Schedule
Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Nonoperating Revenues (Expenses)				
Interest Income	\$ 5,400	\$ 3,500	\$ 4,422	\$ 922
Other Income	4,500	5,300	-	(5,300)
Grant Income	-	-	6,000	6,000
Bond Interest Expense	<u>(72,000)</u>	<u>(64,000)</u>	<u>(38,938)</u>	<u>25,062</u>
Total Non-Operating Revenue (Expenses)	<u>(62,100)</u>	<u>(55,200)</u>	<u>(28,516)</u>	<u>26,684</u>
Change in Net Assets	(40,575)	(4,810)	20,615	25,425
Net Assets, Beginning of Year	668,187	668,187	668,187	-
Prior Period Adjustment for Allowance For Bad Debt	-	-	<u>(1,700)</u>	<u>(1,700)</u>
Net Assets, End of Year	<u>\$ 627,612</u>	<u>\$ 663,377</u>	<u>\$ 687,102</u>	<u>\$ 23,725</u>

(Concluded)
See accountant's report.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 2

**Schedule of Insurance Coverage
December 31, 2004**

Insurance Company	Coverage	Coverage Amount	Period
CNA Surety Company Policy # 18274192	Fidelity Bond:		07/06/04-
	President	\$ 100,000	07/06/05
	Secretary-Treasurer	100,000	
	Office Manger	100,000	
	Clerk	25,000	
American Alternative Insurance Company Policy # SDISSK9101579-1	Commercial General Liability:		10/16/04-
	General Aggregate	\$ 3,000,000	10/16/05
	Each Occurrence	1,000,000	
	Products/Completed Oper.	1,000,000	
	Personal & Advertising Injury	1,000,000	
	Fire Damage	1,000,000	
	Medical Expense	10,000	
American Alternative Insurance Company Policy # SDISSK9101579-1	Special District Insurance Program - Liability Coverage		10/16/04-
	Per Claim	\$ 1,000,000	10/16/05
	Wrongful Acts Aggregate	3,000,000	
American Alternative Insurance Company Policy # SDISSK9101579-1	Commercial Property:		10/16/04-
	Wells, Tanks, Pumping-Main		10/16/05
	Well Site	\$ 300,000	
	Building, 109 Ralph Dr	160,000	
	Personal Prop., 109 Ralph Dr	5,000	
	Tank, Pumping Equip., Booster Station	50,000	
	Inland Marine Coverage	250,000	

The District does not carry workmen's compensation insurance or fire and extended coverage insurance. The District is of the opinion that the management contract with the Bogue Lusa Waterworks District indemnifies them against workmen's compensation claims through the contract manager's policies. See Footnote 12. The District is of the opinion that the District's limited exposure does not justify carrying insurance for fire and extended coverage.

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 3

**Schedule of Compensation Paid Board of Commissioners
December 31, 2004**

<u>Board Of Commissioners</u>	<u>Payments</u>	<u>Term Of Office</u>
Melvin Martin, President 2675 S. Columbia Rd. Bogalusa, LA 70427. (985) 735-1504	\$ 400	01/01/00 to 12/31/04
Howard Stewart, Secretary 11175 Pine Ridge Rd. Bogalusa, LA 70427. (985) 735-6424	480	01/01/04 to 12/31/08
Leo Michenheim, Vice-President 18180 Wells Rd. Bogalusa, LA 70427. (985) 732-4888	440	Expires 12/31/07
Jim Willis, Commissioner 29081 LA Hwy 1074 Bogalusa, LA 70427. (985) 732-3040	240	01/01/02 to 12/31/06
Jean Slaughter, Commissioner 58438 Hwy 60 Bogalusa, LA 70427. (985) 735-1256	440	01/01/01 to 12/31/05
	<u>\$ 2,000</u>	

**Bogue Lusa Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 4

**Schedule of Water Customers
December 31, 2004**

As of December 31, 2004, the water district had the following number of customers.

Residential	1,352
Commercial	23
School	<u>2</u>
Total Customers	<u><u>1,377</u></u>
Commercial users having a meter larger than the residential size (3/4")	<u><u>8</u></u>

**Schedule of Water Rates
December 31, 2004**

Usage	Monthly Charge
Residential	
First 2,000 gallons	\$10.00
Next 8,000 gallons	1.90/thousand gallons
Over 10,000 gallons	1.90/thousand gallons
Commercial	
First 15,000 gallons	\$15.00
All over 15,000 gallons	1.50/thousand gallons

WILLIAM R. DURDEN

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

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, 2004, 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 \$15,000, or public works exceeding \$100,000, 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 \$15,000 or public works exceeding \$100,000. 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. I scanned cash disbursements journals for any related party transactions, there were none that came to my attention.

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

The District provided me with a list of all employees paid during the fiscal year ended December 31, 2004, along with a copy of their W-2's.

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 procedure (2) as immediate family members.

There were no employee names included on the list of immediate family members provided by the board members.

Budgeting

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

Management provided me with copies of the original and amended budgets.

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

I traced the adoption of the 2004 original and amended budgets to the District's minutes. The original budget was approved at the meeting of December 11, 2003, and the amended budget was adopted at the December 13, 2004 meeting.

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%.

The actual revenues and expenditures did not exceed budgeted amounts by more than 5%.

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 deposits for the 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 payroll records and minutes for the year to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts.

I scanned cash disbursement records and minutes for evidence of any payments which may constitute employee bonuses, employee advances, or gifts to Board members, none were noted. I calculated total compensation for each employee using hourly rate of pay times 2080 hours and compared the calculated totals to the employee W-2's. Differences were immaterial indicating no additional compensation other than regular pay.

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.



William R. Durden
Certified Public Accountant

May 31, 2004

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

_____ (Date Transmitted)

Bogue Lusa Water Works District

William R Durden CPA LLC (Auditors)

In connection with your review of our financial statements as of [date] and for the 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 (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..
Yes [] No []

Code of Ethics 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 LSA-RS 42:1101-1124.
Yes [] 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 LSA-RS 42:1119.
Yes [] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.
Yes [] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.
Yes [] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [] No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, 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 LSA-RS 39:1410.60-1410.65.

Yes [] No []

Advances and Bonuses

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, LSA-RS 14:138, and AG opinion 79-729.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Mary J. Adams Secretary 6/9/05 Date
Melvin Martin President 6/9/05 Date