

Bogue Lusa Waterworks District
Washington Parish Council
Bogalusa, Louisiana

Annual Financial Statements

As of and for the Years Then Ended December 31, 2012 and 2011
With Supplemental Information Schedules

Minda B. Raybourn CPA LLC
Certified Public Accountant
Limited Liability Company

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 OCT 09 2013

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Annual Financial Statements
As of and for the Years Ended December 31, 2012 and 2011
With Supplemental Information Schedules

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MEMBER
A I C P A

MEMBER
L C P A

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of thee business-type activities, of Bogue Lusa Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bogue Lusa Waterworks District as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

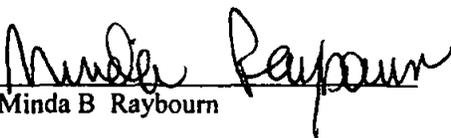
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bogue Lusa Water Works District's basic financial statements. The other supplementary information listed in the table of contents on pages 35-37 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Governmental Auditing Standards*

As discussed in Note 1 to the financial statements, in 2012, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2013, on my consideration of the Bogue Lusa Water Works District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bogue Lusa Waterworks District's internal control over financial reporting and compliance.


Minda B. Raybourn

Franklinton, LA
June 27, 2013

Management's Discussion and Analysis

Bogue Lusa Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

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), as amended. The amendment of GASB 34, including the adoption of GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards are more fully described in Footnote 1 – *Summary of Significant Accounting Policies*.

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, 2012, total assets were \$2,600,097, and exceeded liabilities in the amount of \$1,206,728 (i.e., net position). Of the total net position, \$371,730 was unrestricted and available to support short-term operations, with \$473,675 net investment in capital assets, and \$361,323 restricted for capital projects and debt service.
- For the year ended December 31, 2012, user fee revenues (water sales) decreased to \$445,455 as compared to \$457,195 for the fiscal year ending December 31, 2011.
- The District's operating expenses, other than depreciation expense, increased six percent of the prior year's operating expenses going from \$279,999 to \$296,378 for the year ending December 31, 2012.
- Total long term debt decreased from \$1,336,900 to \$1,308,882 (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, 2012 and 2011

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 Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet 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 Balance Sheet, 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, 2012 and 2011**

**Condensed Balance Sheet
2012 and 2011**

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets		(Restated)		
Current and Other Assets	\$ 817,540	\$ 1,271,533	\$ (453,993)	-36%
Capital Assets	<u>1,782,557</u>	<u>1,231,784</u>	<u>550,773</u>	45%
Total Assets	<u>2,600,097</u>	<u>2,503,317</u>	<u>96,780</u>	4%
 Liabilities				
Long-Term Debt Outstanding	1,296,568	1,324,071	(27,503)	-2%
Other Liabilities	<u>96,801</u>	<u>161,189</u>	<u>(64,388)</u>	-40%
Total Liabilities	<u>1,393,369</u>	<u>1,485,260</u>	<u>(91,891)</u>	-6%
 Net Position.				
Net Investment in Capital Assets	473,675	484,321	(10,646)	-2%
Restricted for Capital Activity and Debt Service	361,323	351,903	9,420	3%
Unrestricted	<u>371,730</u>	<u>181,833</u>	<u>189,897</u>	104%
Total Net Position	<u>\$ 1,206,728</u>	<u>\$ 1,018,057</u>	<u>\$ 188,671</u>	19%

The primary change in the balance sheet is the result of the completion of the construction project

The net increase in "Capital Assets" reflects the depreciation recorded on capital assets of \$76,483 and asset additions in the amount of \$788,393 for the fiscal year ending December 31, 2012

Total principal payments paid on long term debt amounted to \$28,019

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011**

**Condensed Statement of Revenues, Expenses and Changes in Net Position
2012 and 2011**

	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues		(Restated)		
Operating Revenues	\$ 467,079	\$ 482,312	\$ (15,233)	-3.2%
Nonoperating Revenues	<u>136,706</u>	<u>1,106</u>	<u>135,600</u>	12260%
Total Revenues	<u>603,785</u>	<u>483,418</u>	<u>120,367</u>	25%
Expenses				
Depreciation Expense	76,483	74,896	1,587	2%
Other Operating Expense	296,378	279,999	16,379	5.8%
Nonoperating Expense	<u>42,253</u>	<u>97,411</u>	<u>(55,158)</u>	-57%
Total Expenses	<u>415,114</u>	<u>452,306</u>	<u>(37,192)</u>	-8%
Changes in Net Position	<u>188,671</u>	<u>31,112</u>	<u>157,559</u>	506%
Beginning Net Position Prior to Adjustments	1,071,330	986,945	84,385	9%
Prior Period Adjustments (Note 11)	<u>53,273</u>	<u>-</u>	<u>53,273</u>	N/A
Adjusted Net Position, Beginning	<u>1,018,057</u>	<u>986,945</u>	<u>31,112</u>	3%
Ending Net Position	\$ <u>1,206,728</u>	\$ <u>1,018,057</u>	\$ <u>188,671</u>	19%

While the Balance Sheet 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 2011 and 2012. Nonoperating Revenues increase was primarily because of a State grant received of \$132,800.

Total operating expenses, other than depreciation, increased by 6.3%. Contract labor increased \$22,740, and bad debt write-offs increased by \$10,376. Salaries and wages decreased by \$11,331.

The District showed a profit of \$188,671 (change in net position) for the fiscal year ending December 31, 2012. The increase in profit is primarily due to the state grants received by the District in the amount of \$132,800.

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011**

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, 2012

	Budget	Actual	Favorable
	Year ended	Year ended	(Unfavorable)
	December	December	Variance
	31, 2012	31, 2012	
Revenues			
Operating Revenues	\$ 473,120	\$ 467,079	\$ (6,041)
Nonoperating Revenues	137,450	136,706	(744)
Total Revenues	<u>610,570</u>	<u>603,785</u>	<u>(6,785)</u>
Expenses			
Depreciation	75,300	76,483	(1,183)
Other Operating Expense	287,300	296,378	(9,078)
Nonoperating Expense	60,000	42,253	17,747
Total Expenses	<u>422,600</u>	<u>415,114</u>	<u>7,486</u>
Income (Loss)	<u>\$ 187,970</u>	<u>\$ 188,671</u>	<u>\$ 701</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, 2012 and 2011**

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, 2012 and 2011**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>
Customers			
Residential	1,406	1,398	8
Commercial	20	20	-
School	2	2	-
Total Customers	<u>1,428</u>	<u>1,420</u>	<u>8</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, 2012 and 2011.

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 30,208	\$ 25,634	\$ 4,574
31-60 Days Past Due	4,110	9,567	(5,457)
61-90 Days Past Due	-	2,692	(2,692)
Over 90 Days Past Due	273	903	(630)
Subtotal	<u>34,591</u>	<u>38,796</u>	<u>(4,205)</u>
Allowance for Uncollectible Accounts	<u>(1,700)</u>	<u>(1,700)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 32,891</u>	<u>\$ 37,096</u>	<u>\$ (4,205)</u>

Bogue Lusa Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2012, Bogue Lusa Waterworks District had \$1,782,557 (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, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 38,025	\$ 38,025	\$ -	0%
Buildings and Improvements	231,387	221,837	9,550	4%
Furniture, Fixtures, and Equipment	109,356	82,993	26,363	32%
Vehicles	17,862	17,862	-	0%
Utility System	3,491,851	2,747,371	744,480	27%
Construction in Progress	<u>-</u>	<u>160,471</u>	<u>(160,471)</u>	-100%
Subtotal	3,888,481	3,268,559	619,922	19%
Less: Accumulated Depreciation	<u>(2,105,924)</u>	<u>(2,036,775)</u>	<u>(69,149)</u>	-3%
Net Capital Assets	<u>\$ 1,782,557</u>	<u>\$ 1,231,784</u>	<u>\$ 550,773</u>	45%

During the fiscal year ending December 31, 2012, construction in progress on the Wardline Road filter and improvements project was completed at a cost of \$744,480. This was added to the utility system on the fixed asset schedule. A compact excavator was purchased for \$33,413. The District sold the old compact excavator.

Bogue Lusa Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Long-Term Debt

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, 2012, 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 exceeded the required ratio for the fiscal year ended December 31, 2012.

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

Bogue Lusa Waterworks District
Balance Sheet
As of December 31, 2012 and 2011

Statement A

	2012	2011 (Restated)
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 343,385	\$ 224,801
Receivables, Net		
Accounts	32,891	37,096
Unbilled	14,318	12,780
Prepaid Insurance	12,257	11,794
Total Current Assets	402,851	286,471
Restricted Assets		
Restricted Cash and Cash Equivalents		
Customer Deposits	49,359	18,273
Bond Reserve Account	189,063	196,261
Bond Contingency Account	168,661	168,243
Bond Sinking Account	7,606	12,848
Construction Account	-	589,437
Total Restricted Assets	414,689	985,062
Property, Plant, and Equipment		
Land	38,025	38,025
Construction in Progress	-	160,471
Property, Plant and Equipment, Net	1,744,532	1,033,288
Total Property, Plant, and Equipment	1,782,557	1,231,784
Total Assets	2,600,097	2,503,317
Liabilities		
Current Liabilities (Payable From Current Assets)		
Accounts Payable	39,526	111,875
Other Accrued Payables	3,909	5,592
Total Current Liabilities (Payable From Current Assets)	43,435	117,467
Current Liabilities (Payable From Restricted Assets)		
Customer Deposits	33,502	29,801
Revenue Bonds Payable	33,964	28,266
Accrued Interest - RUS Bonds	19,864	13,921
Total Current Liabilities (Payable From Restricted Assets)	87,330	71,988
Long Term Liabilities		
Bonds Payable	1,262,604	1,295,805
Total Long Term Liabilities	1,262,604	1,295,805
Total Liabilities	1,393,369	1,485,260
Net Position		
Net Investment in Capital Assets	473,675	484,321
Restricted for		
Capital Projects and Debt Service	361,323	351,903
Unrestricted	371,730	181,833
Total Net Position	\$ 1,206,728	\$ 1,018,057

These accompanying notes are an integral part of the financial statements.

Bogue Lusa Waterworks District
Statement of Revenues, Expenses, and Changes in Net Position

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		(Restated)
Water Sales	\$ 445,455	\$ 457,195
Penalties	12,835	13,347
Installation Fees	3,900	7,800
Reconnect Fees	3,800	3,850
Other	1,089	120
Total Operating Revenues	<u>467,079</u>	<u>482,312</u>
Operating Expenses		
Advertising	283	689
Bad Debts	10,376	-
Contract Operations & Maintenance	45,630	45,514
Contract Labor	47,217	24,477
Depreciation	76,483	74,896
Director's Expense	2,240	2,040
Insurance	18,676	16,370
Meter Reading	16,649	16,686
Permit Fees	4,490	4,951
Other	10,027	7,471
Payroll Taxes	2,245	3,353
Professional Fees	17,010	12,725
Repairs and Maintenance	16,473	15,001
Salaries and Wages	27,419	38,750
Supplies - Maintenance	30,351	36,521
Supplies - Office	8,309	6,004
Utilities	33,737	41,370
Vehicle Expense	5,246	8,077
Total Operating Expenses	<u>372,861</u>	<u>354,895</u>
Operating Income (Loss)	<u>94,218</u>	<u>127,417</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)	(53,993)
Interest Income	961	1,106
Interest Expense	(34,503)	(43,418)
Total Nonoperating Revenues (Expenses)	<u>94,453</u>	<u>(96,305)</u>
Change in Net Position	<u>188,671</u>	<u>31,112</u>
Total Net Position Prior to Adjustments, Beginning	1,071,330	986,945
Prior Period Adjustment (Note 11)	53,273	-
Adjusted Net Position, Beginning	<u>1,018,057</u>	<u>986,945</u>
Total Net Position, Ending	<u>\$ 1,206,728</u>	<u>\$ 1,018,057</u>

These accompanying notes are an integral part of the financial statements.

Bogue Lusa Waterworks District
Comparative Statement of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		(Restated)
Received From Customers	\$ 449,660	\$ 457,309
Received for Meter Deposit Fees	3,701	5,757
Other Receipts	20,086	25,410
Payments for Operations	(341,209)	(142,442)
Payments to Employees	<u>(29,664)</u>	<u>(42,103)</u>
Net Cash Provided by Operating Activities	<u>102,574</u>	<u>303,931</u>
Cash Flows From Noncapital Financing Activities		
Other Receipts	<u>132,800</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>132,800</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from Sale of Capital Acquisitions	3,611	-
(Payments for) Capital Acquisitions	(627,922)	(165,471)
Principal Proceeds from (Repayments for) Long Term Debt	(27,503)	643,708
Debt Issue Cost (Payments)	(7,750)	(53,993)
Interest Payments for Long Term Debt	<u>(28,560)</u>	<u>(31,485)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(688,124)</u>	<u>392,759</u>
Cash Flows From Investing Activities		
Receipt of Interest	<u>961</u>	<u>1,106</u>
Net Cash Provided by Investing Activities	<u>961</u>	<u>1,106</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(451,789)	697,796
Cash and Cash Equivalents, Beginning of Year	1,209,863	512,067
Cash and Cash Equivalents, End of Year	<u>\$ 758,074</u>	<u>\$ 1,209,863</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Cash Equivalents, Unrestricted	\$ 343,385	\$ 224,801
Cash and Cash Equivalents, Restricted	414,689	985,062
Total Cash and Cash Equivalents	<u>\$ 758,074</u>	<u>\$ 1,209,863</u>

(Continued)

These accompanying notes are an integral part of the financial statements.

Bogue Lusa Waterworks District
Comparative Statement of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2012 and 2011

	<u>12/31/12</u>	<u>12/31/11</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		(Restated)
by Operating Activities		
Operating Income (Loss)	\$ 94,218	\$ 127,417
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	76,483	74,896
(Increase) decrease in Accounts Receivable	4,205	114
(Increase) decrease in Unbilled Receivable	(1,538)	293
(Increase) decrease in Prepaid Insurance	(463)	(887)
Increase (decrease) in Accounts Payable	(72,349)	101,162
Increase (decrease) in Accrued Expenses	(1,683)	(4,821)
Increase (decrease) in Customer Deposits	3,701	5,757
Net Cash Provided by Operating Activities	\$ 102,574	\$ 303,931

(Concluded)

These accompanying notes are an integral part of the financial statements.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

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 1,428 customers as of December 31, 2012. 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

Bogue Lusa Waterworks District
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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*.

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.

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.

**Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011**

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.

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*.

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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.

For the District, bond issue costs for existing bonds at December 31, 2012 are recognized as a prior period adjustment per *Footnote 11 – Prior Period Adjustments*.

J. Net Position

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

Bogue Lusa Waterworks District
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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.

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.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

2. Cash and Cash Equivalents

At December 31, 2012 and 2011, the District has cash and cash equivalents (book balances), as follows

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Demand Deposits	\$ 566,355	\$ 1,025,122
Time Deposits	39,653	39,598
Louisiana Asset Management Pool (LAMP)	<u>152,066</u>	<u>145,143</u>
	<u>\$ 758,074</u>	<u>\$ 1,209,863</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the District had \$606,480 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 \$319,495 of demand deposits covered by \$250,000 of federal deposit insurance and the remainder of \$69,495 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, 2012. 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.

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, 2012, 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

Bogue Lusa Waterworks District
Notes to the Financial Statements
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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, 2012 and 2011:

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 30,208	\$ 25,634	\$ 4,574
31-60 Days Past Due	4,110	9,567	(5,457)
61-90 Days Past Due	-	2,692	(2,692)
Over 90 Days Past Due	<u>273</u>	<u>903</u>	<u>(630)</u>
Subtotal	34,591	38,796	(4,205)
Allowance for Uncollectible Accounts	<u>(1,700)</u>	<u>(1,700)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 32,891</u>	<u>\$ 37,096</u>	<u>\$ (4,205)</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

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, 2012, accrued billings amounts were \$14,318, and \$12,780 at December 31, 2011

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2012 is as follows

	<u>Beginning Balance 12/31/11</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/12</u>
Capital Assets				
Capital Assets - Not Depreciated				
Land	\$ 38,025	\$ -	\$ -	\$ 38,025
Construction in Progress	160,471	584,009	(744,480)	-
Total Capital Assets - Not Depreciated	<u>198,496</u>	<u>584,009</u>	<u>(744,480)</u>	<u>38,025</u>
Capital Assets - Depreciated				
Buildings	221,837	9,550	-	231,387
Equipment	81,143	34,363	(8,000)	107,506
Furniture and Fixtures	1,850	-	-	1,850
Vehicles	17,862	-	-	17,862
Utility System	2,747,371	744,480	-	3,491,851
Total Capital Assets - Depreciated	<u>3,070,063</u>	<u>788,393</u>	<u>(8,000)</u>	<u>3,850,456</u>
Less Accumulated Depreciation	<u>(2,036,775)</u>	<u>(76,483)</u>	<u>7,334</u>	<u>(2,105,924)</u>
Total Capital Assets - Depreciated - Net	<u>1,033,288</u>	<u>711,910</u>	<u>(666)</u>	<u>1,744,532</u>
Total Capital Assets, Net	<u>\$ 1,231,784</u>	<u>\$ 1,295,919</u>	<u>\$ (745,146)</u>	<u>\$ 1,782,557</u>

During the fiscal year ending December 31, 2012, construction in progress on the Wardline Road filter and improvements project was completed at a cost of \$744,480. This was added to the utility system on the fixed asset schedule. A compact excavator was purchased for \$33,413. The District sold the old compact excavator. Depreciation expense for the fiscal year ending December 31, 2012 totaled \$76,483.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2012

<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	\$ 217,188	\$ -	\$ (6,452)	\$ 210,736	\$ 6,903
1998 Water Revenue Bonds	339,712	-	(6,566)	333,146	7,061
2011 Water Revenue Bonds	780,000	-	(15,000)	765,000	20,000
Total Long-Term Debt	\$ 1,336,900	\$ -	\$ (28,018)	\$ 1,308,882	\$ 33,964
Less					
Unamortized Premium (Discount)	(12,829)	-	515	(12,314)	515
Total Long Term Debt	\$ 1,324,071	\$ -	\$ (27,503)	\$ 1,296,568	\$ 34,479

Bonds Payable as of December 31, 2012 and 2011 is as follows

		<u>December 31, 2012</u>	<u>December 31, 2011</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%	210,736	217,188
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%	333,146	339,712
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%	765,000	780,000
		<u>\$ 1,308,882</u>	<u>\$ 1,336,900</u>

Bogue Lusa Waterworks District
Notes to the Financial Statements
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The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments of \$999,603 are as follows

Year Ending 12/31/12	1993 Water Revenue Bonds	1998 Water Revenue Bonds	2011 Water Revenue Bonds	Total
	\$ 290,000	\$ 400,000	\$ 780,000	
2013	\$ 18,504	\$ 22,560	\$ 57,625	\$ 98,689
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 to 2022	92,520	112,800	278,925	484,245
2023 to 2027	92,520	112,800	278,370	483,690
2028 to 2032	92,520	112,800	280,576	485,896
2033 to 2037	6,168	112,800	227,681	346,649
2038 to 2038	-	22,560	-	22,560
	<u>\$ 376,248</u>	<u>\$ 586,560</u>	<u>\$ 1,345,677</u>	<u>\$ 2,308,485</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

Bogue Lusa Waterworks District
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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, 2012, 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, 2012, the District maintained a balance of \$189,063, 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, 2012 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, 2012, the USDA required "Depreciation and Contingency Fund" was over funded with a balance maintained of \$168,661, as compared to balance of \$168,243 at

Bogue Lusa Waterworks District
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December 31, 2011 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 ended December 31, 2012, the District exceeded the required 125% "Net Revenue" ratio

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, 2012, Bogue Lusa Waterworks District recorded \$361,323 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, 2012

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

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

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. Prior Period Adjustment

<i>Beginning Net Position, Before Prior Period Adjustment</i>	\$ 964,784
To expense bond issue costs to recognize the outflow of resources in the period incurred under GASB 65	
Bond Issue Costs	53,273
Accumulated Amortization of Bond Issue Costs	(4,110)
Bond Amortization Expense	4,110
Ending Net Position, After Prior Period Adjustment	<u>\$ 1,018,057</u>

The District adopted GASB 65 for the fiscal year ending December 31, 2012, which required bond issuance costs to be expensed in the period incurred. The bond issuance costs in the utility fund, which were not fully amortized, required a prior period adjustment to increase net position by \$53,273. The net effect of these changes as a reduction to net position is reflected in the prior period comparative information presented in this report.

12. Subsequent Events

These financial statements considered subsequent events through June 27, 2013, 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, 2012.

Other Supplemental Information

Bogue Lusa Waterworks District
Budgetary Comparison Schedule
For the year ended December 31, 2012
With comparative amounts for the fiscal year ended December 31, 2011

	2012 Budget	2012 Actual	Variance Favorable (Unfavorable)	2011 Actual (Restated)
Operating Revenues				
Water Sales	\$ 450,000	\$ 445,455	\$ (4,545)	\$ 457,195
Penalties	13,500	12,835	(665)	13,347
Installation Fees	4,000	3,900	(100)	7,800
Reconnect Fees	4,500	3,800	(700)	3,850
Other	1,120	1,089	(31)	120
Total Operating Revenues	<u>473,120</u>	<u>467,079</u>	<u>(6,041)</u>	<u>482,312</u>
Operating Expenses				
Advertising	500	283	217	689
Bad Debts	-	10,376	(10,376)	-
Contract Operations & Maintenance	43,100	45,630	(2,530)	45,514
Contract Labor	46,000	47,217	(1,217)	24,477
Depreciation and Amortization	75,300	76,483	(1,183)	74,896
Director's Expense	2,500	2,240	260	2,040
Employee Benefits	-	-	-	-
Insurance	19,400	18,676	724	16,370
Meter Reading	16,800	16,649	151	16,686
Permit Fees	4,500	4,490	10	4,951
Other	10,500	10,027	473	7,471
Payroll Taxes	2,400	2,245	155	3,353
Professional Fees	17,200	17,010	190	12,725
Repairs and Maintenance	17,700	16,473	1,227	15,001
Salaries and Wages	27,000	27,419	(419)	38,750
Supplies - Maintenance	32,200	30,351	1,849	36,521
Supplies - Office	7,000	8,309	(1,309)	6,004
Utilities	35,000	33,737	1,263	41,370
Vehicle Expense	5,500	5,246	254	8,077
Total Operating Expenses	<u>362,600</u>	<u>372,861</u>	<u>(10,261)</u>	<u>354,895</u>
Operating Income (Loss)	<u>110,520</u>	<u>94,218</u>	<u>(16,302)</u>	<u>127,417</u>
Nonoperating Revenues (Expenses)				
Realized Gain (Loss) on Sale of Fixed Assets	-	2,945	2,945	-
State Grant Revenue	132,800	132,800	-	-
Bond Issuance Costs Incurred in Current Period	-	(7,750)	(7,750)	(53,993)
Interest Income	1,050	961	(89)	1,106
Interest Expense	(60,000)	(34,503)	25,497	(43,418)
Other Income	3,600	-	(3,600)	-
Total Nonoperating Revenues (Expenses)	<u>77,450</u>	<u>94,453</u>	<u>17,003</u>	<u>(96,305)</u>
Change in Net Position	<u>187,970</u>	<u>188,671</u>	<u>701</u>	<u>31,112</u>
Total Net Position, Beginning	1,018,057	964,784	-	986,945
Prior Period Adjustment (Note 11)	-	53,273	-	-
Adjusted Net Position, Beginning	<u>1,018,057</u>	<u>1,018,057</u>	<u>-</u>	<u>986,945</u>
Total Net Position, Ending	<u>\$ 1,206,027</u>	<u>\$ 1,206,728</u>	<u>\$ 701</u>	<u>\$ 1,018,057</u>

See accountant's report.

See independent auditor's report

Bogue Lusa Waterworks District
Schedule of Insurance
For the year ended December 31, 2012

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Western Surety Company 18274192	Fidelity Bond		7/6/2012 to 7/6/2013
	President	\$ 100,000	
	Secretary-Treasurer	100,000	
	Office Manager	100,000	
	Clerk	25,000	
American Alternative Insurance Company GPPA-PF-6052755-02/000	Commercial General Liability		10/16/2012 to 10/16/2013
	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	710,636	
	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		2/1/2012 to 2/1/2013
	Each Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

See accountant's report

Bogue Lusa Waterworks District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2012

<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	\$ 600	12/31/13
Jean Brown, Secretary (985) 735-1256	58438 Highway 60 Bogalusa, LA 70427	400	12/31/15
Jim Willis, Vice-President (985) 732-3040	29081 Louisiana Highway 1074 Bogalusa, LA 70427	480	12/31/16
Leo Mckenheim (985) 732-4888	18180 Wells Rd Bogalusa, LA 70427	360	12/31/17
Caroln Bridges (985) 732-3762	103 Red Brd Lane Bogalusa, LA 70427	400	12/31/14
		<u>\$ 2,240</u>	

See accountant's report.

**Bogue Lusa Waterworks District
Schedule of Water Rates
For the year ended December 31, 2012**

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, 2012 and 2011, the district had the following number of customers

**Schedule of Water Customers
As of December 31, 2012 and 2011**

	December 31, 2012	December 31, 2011	Increase (Decrease)
Customers			
Residential	1,406	1,398	8
Commercial	20	20	-
School	2	2	-
Total Customers	<u>1,428</u>	<u>1,420</u>	<u>8</u>

See accountant's report.

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

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

I have audited the financial statements of the business-type activities of the Bogue Lusa Waterworks District (a component unit of the Washington Parish Council) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 27, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bogue Lusa Waterworks District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bogue Lusa Waterworks District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Bogue Lusa Waterworks District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent and detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

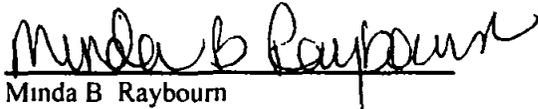
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bogue Lusa Waterworks District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance, or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Minda B Raybourn
Certified Public Accountant

June 27, 2013

**Bogue Lusa Waterworks District
Varnado, LA**

**Schedule of Current Year Audit Findings
For the Year Ended December 31, 2012**

Section I-Summary of Auditor's Results

I have audited the financial statements of Bogue Lusa Water Works District as of and for the year ended December 31, 2012 and 2011, and have issued my report thereon dated June 27, 2013. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weaknesses identified? ___ Yes x No

Significant deficiencies identified
not considered to be material
weaknesses? ___ Yes x No

Compliance

Noncompliance material to financial
Statements noted? ___ Yes x No

Section II-Financial Statement Findings

None