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BOGUE LUSA WATER WORKS DISTRICT

WASHINGTON PARISH COUNCIL  
BOGALUSA, LOUISIANA

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ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 1999

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 APR 12 2000

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

General Purpose Financial Statements  
As of and for the Year Ended December 31, 1999  
With Supplemental Schedules

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MEMBERS  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Bogue Lusa Water Works District  
Washington Parish Council  
Bogalusa, Louisiana

We have audited the accompanying general purpose financial statements of the Bogue Lusa Water Works District, Louisiana, as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of the Bogue Lusa Water Works District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bogue Lusa Water Works District, Louisiana, as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2000 on our consideration of the Bogue Lusa Waterworks District, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Bogue Lusa Waterworks District, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and also the schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Bogue Lusa Water Works District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Bruce Harrell & Co.*

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

Kentwood, Louisiana  
February 1, 2000

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**Statement A**

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

**Balance Sheet  
December 31, 1999**

**ASSETS**

Current Assets:

Cash	\$ 311,547
Accounts Receivable	25,239
Accrued Billings	<u>14,641</u>

Total Current Assets 351,427

Restricted Assets:

Customer Deposits - Cash	5,000
Bond Reserve Account - Cash	91,407
Depreciation and Contingency Account - Cash	<u>107,791</u>

Total Restricted Assets 204,198

Property, Plant and Equipment:

Land	20,025
Utility Plant, in Service	<u>2,193,891</u>

Total Property, Plant and Equipment 2,213,916  
Less: Accumulated Depreciation (1,015,614)

Net Property, Plant and Equipment 1,198,302

Total Assets \$ 1,753,927

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**Statement A**

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

**Balance Sheet  
(Continued)  
December 31, 1999**

**LIABILITIES AND FUND EQUITY**

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 6,006
Sales Tax Payable	790
Retainage Payable	32,105
Due to Other Governments	4,084
Revenue Bonds Payable - Current	<u>38,000</u>

Total Current Liabilities (Payable From Current Assets) 80,985

Current Liabilities (Payable From Restricted Assets)

Customer Deposits	<u>14,151</u>
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Long-Term Liabilities:

Revenue Bonds Payable - Long-Term	<u>1,136,377</u>
-----------------------------------	------------------

Total Liabilities 1,231,513

Fund Equity:

Contributed Capital	123,311
Less Accumulated Amortization	<u>(59,595)</u>

Net Contributed Capital 63,716

Retained Earnings:

Reserved for RUS Bond Interest and Redemption	91,407
Reserved for RUS Bond Depreciation and Contingency	107,791
Unreserved	<u>259,500</u>

Total Retained Earnings 458,698

Total Fund Equity 522,414

Total Liabilities and Fund Equity \$ 1,753,927

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**Statement B**

**PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses, and  
Changes in Unreserved Retained Earnings  
For the Year Ended December 31, 1999**

**OPERATING REVENUES**

Charges for Services:

Water Sales	\$ 332,005
Installations	9,750
Penalties	3,876
Reconnect Fees	2,715
Other Revenues	<u>235</u>

Total Operating Revenues	<u>348,581</u>
--------------------------	----------------

**OPERATING EXPENSES**

Contract Operations & Maintenance	24,703
Contract Meter Readers	10,212
Contract Labor	33,141
Truck Expense	3,679
Electricity	27,577
Repairs & Maintenance	20,639
Board of Directors	3,000
Maintenance Supplies	13,204
Telephone	1,861
Insurance	8,991
Accounting Fees	5,650
Conventions & Seminars	417
Legal Services	666
Office Expense	6,284
Travel	240
NSF Checks	(129)
Mowing	730
Advertising	311
Miscellaneous	-
Membership Dues	150
Cash Short/Over	-
Depreciation Expense	<u>60,363</u>

Total Operating Expense	<u>221,689</u>
-------------------------	----------------

Net Operating Income	<u>126,892</u>
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(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**Statement B**

**PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses, and  
Changes in Unreserved Retained Earnings  
(Continued)  
For the Year Ended December 31, 1999**

**NON-OPERATING REVENUE (EXPENSES):**

Interest Income	\$ 11,026
Bond Interest Expense	(45,292)
Bad Debts	-
L P & L Refund	<u>17,494</u>
 Total Non-Operating Revenue (Expenses)	 <u>(16,772)</u>
 Net Income (Loss)	 110,120
 Unreserved Retained Earnings, Beginning of Year	 165,013
 Add: Amortization of Contributions	 4,110
Less: (Increase) in Reserve for Revenue Bond Retirement	(9,749)
(Increase) in Reserve for Revenue Bond Contingency	<u>(9,994)</u>
 Unreserved Retained Earnings, End of Year	 \$ <u><u>259,500</u></u>
 (Concluded)	

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Statement C

**PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Cash Flows  
For the Year Ended December 31, 1999**

<b>Cash flows from operating activities:</b>		
Operating Income		\$ 126,892
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 60,363	
LP & L Refund	17,494	
Changes in Accounts Receivable	(1,396)	
Changes in Accrued Billings	806	
Changes in Accounts Payable and Accrued Expenses	(437)	
Changes in Retainage Payable	32,105	
Changes in Due to Other Governments	(711)	
Changes in Current Liabilities Payable from Restricted Assets	<u>(185)</u>	
Total adjustments		<u>108,039</u>
Net cash provided by operating activities		234,931
<b>Cash flows from capital and related financing activities:</b>		
Retirement of Revenue Bonds	(33,728)	
Proceeds From Revenue Bonds	294,500	
Interest Expense	(45,292)	
Capital Additions	<u>(355,441)</u>	
Net cash used by capital and related financing activities		(139,961)
<b>Cash flows from investing activities:</b>		
Interest Income	<u>11,026</u>	
Net cash provided by investing activities		<u>11,026</u>
Net cash increase (decrease) for year		105,996
Cash at beginning of year		<u>409,749</u>
Cash at end of year		<u>\$ 515,745</u>

The accompanying notes are an integral part of this statement.



**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

**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.

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.

Bogue Lusa Water Works District serves 1,329 water customers. The district does not have any employees, since the district contracts all of the billings and maintenance to outside contractors.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Bogue Lusa Water Works District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

The district is a component unit of the Washington Parish Council, the financial reporting entity. The Council is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

*The accompanying financial statements present information only on the fund maintained by the district and do not present information on the Council, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.*

**C. FUND ACCOUNTING**

The Bogue Lusa Water Works District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are

**BOGUE LUSA WATER WORKS DISTRICT**  
**WASHINGTON PARISH COUNCIL**  
**Bogalusa, Louisiana**  
Notes to the Financial Statements (Continued)

included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

**Revenues**

Fees for water services are recorded as revenues after the meters are read. Penalties are recorded after the grace period for payment of water services has expired. All other revenues are recorded when the service has been provided.

**Expenditures**

All operating expenses, except depreciation, are recorded when they are incurred. Depreciation is recorded each month over the life of the asset. Interest expense is recorded each month as the notes are paid.

**E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. 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, 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.

**F. INVENTORIES**

Purchase 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.

**G. PREPAID ITEMS**

Purchase of items regarded as having a future economical use are expensed when purchased, and prepaid amounts for such items are not recorded as assets at the close of the fiscal year.

**H. 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.

**I. FIXED ASSETS**

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. 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 25 to 30 years for water wells and lines and 10 to 15 years for equipment.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana  
Notes to the Financial Statements (Continued)**

**J. COMPENSATED ABSENCES**

The district does not have a policy relating to vacation and sick leave.

**K. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**L. FUND EQUITY**

**Contributed Capital**

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This amortization is closed to the contributed capital account.

**Reserves**

Reserves represent those portions of fund equity legally segregated for a specific future use.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1999, the district has cash and cash equivalents (book balances) totaling \$515,745, as follows:

Demand Deposits	\$ 151,493
Interest-bearing Demand Deposits	74,119
Time Deposits	190,080
LAMP	100,053
Total	\$ 515,745

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, 1999, the district has \$415,610 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$215,610 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.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana  
Notes to the Financial Statements (Continued)**

**3. INVESTMENTS**

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 1999, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore LAMP is considered a cash equivalent.

**4. RECEIVABLES**

The following is a summary of accounts receivables at December 31, 1999:

Current	\$ 20,442
31-60 Days	4,156
61-90 Days	457
Over 90 Days	184
Total	25,239
Less: Allowance for Bad Debts	-
Accounts Receivable, Net	\$ 25,239

**5. CONSTRUCTION IN PROGRESS**

As of December 31, 1999, the district has construction on improvements and extensions to the system, including appurtenant equipment, accessories and properties. This project is being financed by a \$400,000 Water Revenue Bond - Series 1998. The district shall begin repaying these bonds upon completion of the project, over 40 years, at a rate of 4-7/8 % per annum. This project was substantially completed by the end of the year except for the required punch list.

As of December 31, 1999, construction also began on a generator project designed to automatically run the water system in the event of a power outage. The project cost of this project is approximately \$50,000.

**BOGUE LUSA WATER WORKS DISTRICT**  
**WASHINGTON PARISH COUNCIL**  
**Bogalusa, Louisiana**  
Notes to the Financial Statements (Continued)

**6. FIXED ASSETS**

A summary of fixed assets at December 31, 1999, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Depreciation Current
Land & Right of Way		\$ 20,025	\$ -	\$ 20,025	\$ -
Phase I (1976)					
Water Well	30	61,479	46,096	15,383	2,049
Water Distribution System	30	443,466	332,598	110,868	14,782
Water Booster	30	30,575	22,930	7,645	1,019
Fencing	15	1,680	1,680	-	-
Phase II (1977)					
Water Distribution System	30	321,998	230,764	91,234	10,733
Water Well	30	65,556	46,981	18,575	2,185
Water Booster	30	27,700	19,850	7,850	923
Fencing	15	2,995	2,995	-	-
Phase III (1982)					
Water Distribution System	30	180,013	90,004	90,009	6,000
Water Well	30	137,969	68,985	68,984	4,599
Highway 21 Reloc. (1984)	30	130,253	62,957	67,296	4,342
Building	30	2,749	1,285	1,464	92
Phase IV (1992)					
Water Distribution System	30	298,763	64,733	234,030	9,959
Office Equipment	10	1,124	1,124	-	-
Improvements	30	107,432	22,632	84,800	3,680
Construction in Progress		380,139	-	380,139	-
Totals		<u>\$ 2,213,916</u>	<u>\$ 1,015,614</u>	<u>\$ 1,198,302</u>	<u>\$ 60,363</u>

All assets are depreciated by the straight-line method.

The utility plant and equipment in service records were reconstructed from the original construction files of the USDA Rural Utility Service.

**BOGUE LUSA WATER WORKS DISTRICT**  
**WASHINGTON PARISH COUNCIL**  
**Bogalusa, Louisiana**  
Notes to the Financial Statements (Continued)

**7. LONG-TERM LIABILITIES**

The following is a summary of bond transactions of the Bogue Lusa Water Works District for the year ended December 31, 1999:

	1976 RUS Utility Revenue	1977 RUS Utility Revenue	1993 RUS Utility Revenue	1998 RUS Utility Revenue	Total
Bonds Payable January 1, 1999	\$ 335,142	\$ 268,526	\$ 275,337	\$ 34,600	\$ 913,605
Bonds Sold	-	-	-	294,500	294,500
Bonds Retired	(18,187)	(12,577)	(2,964)	-	(33,728)
Bonds Payable December 31, 1999	<u>\$ 316,955</u>	<u>\$ 255,949</u>	<u>\$ 272,373</u>	<u>\$ 329,100</u>	<u>\$ 1,174,377</u>

Bonds Payable at December 31, 1999, are comprised of the following individual Issues:

	Current Amount 12/31/99	Long-Term Amount 12/31/99	Total Principal Balance 12/31/99
1976 Revenue Bonds: \$540,000 utility bonds sold to RUS, dated 4/20/76; due in annual installments of \$4,000 - \$30,000 through April 20, 2012; interest at 5%	\$ 18,500	\$ 298,455	\$ 316,955
1977 Revenue Bonds: \$420,000 utility bonds sold to RUS, dated 9/28/77; due in annual installments of \$5,000 - \$20,000 through Sept. 28, 2013; interest at 5%	13,000	242,949	255,949
1993 Revenue Bonds: \$290,000 utility bonds sold to RUS, dated 3/08/93; due in monthly installments of \$1,542 through April 8, 2031; interest at 5.625%	3,000	269,373	272,373
1998 Revenue Bonds: \$400,000 utility bonds sold to RUS, dated 12/9/98; due in monthly installments of \$1,880 Through December 8, 2039; interest at 4.875%	3,500	325,600	329,100
	<u>\$ 38,000</u>	<u>\$ 1,136,377</u>	<u>\$ 1,174,377</u>

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana  
Notes to the Financial Statements (Continued)**

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments of \$1,074,959 are as follows:

Year Ending December 31,	1976 RUS Revenue	1977 RUS Revenue	1983 RUS Revenue	1993 RUS Revenue	Total
2000	\$ 34,512	\$ 26,004	\$ 18,504	\$ 22,560	\$ 101,580
2001	34,512	26,004	18,504	22,560	101,580
2002	34,512	26,004	18,504	22,560	101,580
2003	34,512	26,004	18,504	22,560	101,580
2004	34,512	26,004	18,504	22,560	101,580
2005-2009	172,560	130,020	92,520	112,800	507,900
2010-2014	80,528	104,016	92,520	112,800	389,864
2015-2019	-	-	92,520	112,800	205,320
2020-2024	-	-	92,520	112,800	205,320
2025-2029	-	-	92,520	112,800	205,320
2030-2034	-	-	24,672	112,800	137,472
2035-2039	-	-	-	90,240	90,240
	<u>\$ 425,648</u>	<u>\$ 364,056</u>	<u>\$ 579,792</u>	<u>\$ 879,840</u>	<u>\$2,249,336</u>

**8. FLOW OF FUNDS, RESTRICTIONS ON USE**

The voters of the Bogue Lusa Waterworks District approved the issuance of \$540,000 and \$420,000 of the utility revenue bonds in elections held November 30, 1971, 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 26, 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 forty (40) 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 above adopted resolutions. 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 were 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 (Continued)

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 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. As of December 31, 1999, the water district has drawn \$329,100 for construction in progress. 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. 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 district has made all of the required "Bond Reserve" payments.

Funds will also be set into a "Depreciation and Contingency Fund" at the rate of \$500 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system 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. The district has made all of the required "Depreciation and Contingency Fund" payments.

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.

## 9. FUND EQUITY

Reserved Retained Earnings is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account, based on assets held by the water district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds.



**BOGUE LUSA WATER WORKS DISTRICT**  
**WASHINGTON PARISH COUNCIL**  
Bogalusa, Louisiana  
Notes to the Financial Statements (Continued)

**10. LITIGATION CLAIMS**

There are no pending litigations as of December 31, 1999.

**11. 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 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 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. Cash settlements will be made between the districts, so each district pays its portion of the actual costs.

**12. CONSTRUCTION COMMITMENTS**

On October 8, 1998, the Bogue Lusa Waterworks District adopted a resolution to issue Water Revenue Bonds in an amount not to exceed Four Hundred Thousand Dollars (\$400,000) for the purpose of acquiring and constructing improvements and extensions to the waterworks system of the district. This project was substantially complete by December 31, 1999. The district adopted the following water rates to be in compliance with the bond resolution.

**RESIDENTIAL RATES:**

- \$10.00 per month for the first 2,000 gallons
- \$1.90 per thousand or part thereof, next 8,000 gallons
- \$1.50 per thousand or part thereof, all over 10,000 gallons

**COMMERCIAL RATES:**

- \$35.00 per month for first 15,000 gallons
- \$1.50 per thousand or part thereof, all over 15,000 gallons

Also as of December 31, 1999, construction also began on a generator project designed to automatically run the water system in case of a power outage. The project cost of this project is approximately \$50,000.

SUPPLEMENTAL INFORMATION

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 1

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

**Comparative Balance Sheet  
December 31, 1999 and 1998**

ASSETS	<u>1999</u>	<u>1998</u>
Current Assets:		
Cash	\$ 311,547	\$ 225,294
Accounts Receivable	25,239	23,843
Accrued Billings	<u>14,641</u>	<u>15,447</u>
Total Current Assets	<u>351,427</u>	<u>264,584</u>
Restricted Assets:		
Customer Deposits -		
Cash	5,000	5,000
Bond Reserve Account -		
Cash	91,407	81,658
Depreciation and Contingency Account -		
Cash	<u>107,791</u>	<u>97,797</u>
Total Restricted Assets	<u>204,198</u>	<u>184,455</u>
Property, Plant and Equipment:		
Land	20,025	10,025
Utility Plant, in Service	<u>2,193,891</u>	<u>1,848,450</u>
Total Property, Plant and Equipment	2,213,916	1,858,475
Less: Accumulated Depreciation	<u>(1,015,614)</u>	<u>(955,251)</u>
Net Property, Plant and Equipment	<u>1,198,302</u>	<u>903,224</u>
Total Assets	<u>\$ 1,753,927</u>	<u>\$ 1,352,263</u>

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 1

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

**Comparative Balance Sheet  
(Continued)  
December 31, 1999 and 1998**

**LIABILITIES AND FUND EQUITY**

	<u>1999</u>	<u>1998</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 6,006	\$ 6,860
Sales Tax Payable	790	373
Retainage Payable	32,105	-
Due to Other Governments	4,084	4,795
Revenue Bonds Payable - Current	<u>38,000</u>	<u>32,700</u>
Total Current Liabilities (Payable From Current Assets)	<u>80,985</u>	<u>44,728</u>
Current Liabilities (Payable From Restricted Asscts)		
Customer Deposits	<u>14,151</u>	<u>14,336</u>
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term	<u>1,136,377</u>	<u>880,905</u>
Total Liabilities	<u>1,231,513</u>	<u>939,969</u>
Fund Equity:		
Contributed Capital	123,311	123,311
Less Accumulated Amortization	<u>(59,595)</u>	<u>(55,485)</u>
Net Contributed Capital	<u>63,716</u>	<u>67,826</u>
Retained Earnings:		
Reserved for RUS Bond Interest and Redemption	91,407	81,658
Reserved for RUS Bond Depreciation and Contingency	107,791	97,797
Unreserved	<u>259,500</u>	<u>165,013</u>
Total Retained Earnings	<u>458,698</u>	<u>344,468</u>
Total Fund Equity	<u>522,414</u>	<u>412,294</u>
Total Liabilities and Fund Equity	<u>\$ 1,753,927</u>	<u>\$ 1,352,263</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 2

**PROPRIETARY FUND - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
UNRESERVED RETAINED EARNINGS  
(BUDGET AND ACTUAL)**

**For the Year Ended December 31, 1999  
and Actual For the Year Ended December 31, 1998**

<b>OPERATING REVENUES</b>	Budget	Actual	Variance- Favorable (Unfavorable)	1998 Actual
Charges for Services:	\$	\$	\$	\$
Water Sales	330,000	332,005	2,005	311,940
Installations	10,000	9,750	(250)	7,950
Penalties	4,000	3,876	(124)	3,595
Reconnect Fees	2,500	2,715	215	2,305
Other Revenues	200	235	35	892
	346,700	348,581	1,881	326,682
 <b>OPERATING EXPENSES</b>				
Contract Operations & Maintenance	25,000	24,703	297	23,130
Contract Meter Readers	10,500	10,212	288	10,083
Contract Labor	35,000	33,141	1,859	24,641
Truck Expense	4,000	3,679	321	2,881
Utilities	25,000	27,577	(2,577)	21,507
Repairs & Maintenance	5,000	20,639	(15,639)	6,461
Board of Directors	3,000	3,000	-	2,410
Maintenance Supplies	15,000	13,204	1,796	12,184
Telephone	2,000	1,861	139	1,935
Insurance	13,500	8,991	4,509	7,060
Accounting Fees	6,000	5,650	350	4,975
Conventions & Seminars	500	417	83	440
Legal Services	700	666	34	277
Office Expense	6,500	6,284	216	4,951
Travel	250	240	10	-
NSF Checks	100	(129)	229	75
Mowing	800	730	70	400
Advertising	500	311	189	2,001
Miscellaneous	100	-	100	25
Membership Dues	150	150	-	150
Cash Short/Over	100	-	100	-
Depreciation Expense	56,000	60,363	(4,363)	60,363
	209,700	221,689	(11,989)	185,949
 Total Operating Expense				
	137,000	126,892	(10,108)	140,733
 Net Operating Income				
(Continued on the following Page)				

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 2

**PROPRIETARY FUND - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
UNRESERVED RETAINED EARNINGS  
(BUDGET AND ACTUAL)**

**For the Year Ended December 31, 1999  
and Actual For the Year Ended December 31, 1998**

	Budget	Actual	Variance- Favorable (Unfavorable)	1998 Actual
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Interest Income	\$ 10,000	\$ 11,026	\$ 1,026	\$ 12,197
Bond Interest Expense	(50,000)	(45,292)	4,708	(41,551)
Bad Debts	(2,000)	-	2,000	-
L P & L Refund	17,500	17,494	(6)	-
	<u>(24,500)</u>	<u>(16,772)</u>	<u>7,728</u>	<u>(29,354)</u>
<b>Net Income</b>	<b>\$ <u>112,500</u></b>	<b>110,120</b>	<b>\$ <u>(2,380)</u></b>	<b>111,379</b>
<b>Unreserved Retained Earnings</b>				
Beginning of Year		165,013		10,250
Add: Amortization of Contributions		4,110		4,110
Less: (Increase) in Reserve for Revenue Bond Retirement		(9,749)		49,495
(Increase) in Reserve for Revenue Bond Contingency		<u>(9,994)</u>		<u>(10,221)</u>
<b>Unreserved Retained Earnings, End of Year</b>		<b>\$ <u>259,500</u></b>		<b>\$ <u>165,013</u></b>

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 3

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
For the Year Ended December 31, 1999**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

NAME	Amount
Melvin Martin, President	\$ 750
Howard Stewart, Secretary	570
Melvin Fuller, Vice-President	520
Jim Willis, Commissioner	600
Jean Slaughter, Commissioner	560
Total Compensation Paid	\$ 3,000

Board of Commissioners	Address	Term of Office
Melvin Martin, President	2675 S. Columbia Rd. Bogalusa, LA 70427	01/01/96 to 12/31/00
Howard Stewart	11175 Pine Ridge Rd. Bogalusa, LA 70427	01/01/99 to 12/31/03
Melvin Fuller	13266 Hwy 21-S Bogalusa, LA 70427	01/01/98 to 12/31/02
Jim Willis	29081 LA Hwy 1074 Bogalusa, LA 70427	01/01/97 to 12/31/01
Jean Slaughter	58438 Hwy 60 Bogalusa, LA 70427	01/01/96 to 12/31/00

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 4

**SCHEDULE OF INSURANCE  
December 31, 1999**

Insurance Company	Coverage	Amount	Period
Travelers Indemnity Company Policy BM T1 50 08 93	Boiler and Machinery Coverage: Water Pumping Station	\$405,000	02/28/99 - 02/28/00
Louisiana Workers' Compensation Corporation Policy 401271	Workers' Compensation	Statutory Limits	Continuing Policy
Gulf Insurance Company Policy GA 0427424	Commercial General Liability: Products Completed Operations Personal & Advertising Injury Fire, Lightning, Explosion Damage Medical Expense Commercial Property: With Pumps Office Building Contents Metal Building Business Auto: Liability Uninsured Motorist Comprehensive Collision Public Officials' Liability: Any One Claim Annual Aggregate	\$ 1,000,000 1,000,000 1,000,000 5,000 300,000 85,000 20,000 8,000 1,000,000 1,000,000 AVC Per Auto AVC Per Auto 1,000,000 1,000,000	02/28/99 - 02/28/00
CNA Surety Company Bond # 18216102	Position Fidelity Bond: President Vice-President Board Member Office Manager Clerk	\$ 100,000 100,000 100,000 100,000 25,000	11/16/99 - 11/16/00

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 Varnado Waterworks District indemnifies them against workmen's compensation claims through the contract manager's policies. See Footnote 11. The district is of the opinion that the district's limited exposure does not justify carrying insurance for fire and extended coverage.

The accompanying notes are an integral part of this statement.



**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 5

**SCHEDULE OF CHANGES IN ASSETS RESTRICTED  
FOR USDA RURAL UTILITY SERVICE  
AND  
SCHEDULE OF WATER CUSTOMERS  
For the Year Ended Year Ended December 31, 1999**

	Bond Reserve	Bond Depreciation and Contingency	Total
Cash Balance, January 1, 1999	\$81,658	\$97,797	\$179,455
Cash Receipts:			
Transfers From Operating Account	6,000	6,000	12,000
Interest Earned	3,749	3,994	7,743
Cash Disbursements	-	-	-
Cash Balance, December 31, 1999	\$91,407	\$107,791	\$199,198

**SCHEDULE OF WATER CUSTOMERS**

As of December 31, 1999, the district had the following number of customers.

Water-Residential	1,308
Water-Commercial	20
Water-School	1
Total Water Customers	1,329

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

Schedule 6

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 1999**

<u>Federal Grantor/ Pass-Through Grantor Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Federal Expenditures</u>
U. S. Department of Agriculture			
Rural Utility Service	10.760	22-059-0720807433	\$ 326,605
Rural Utility Service	10.760	22-059-0720807433	<u>1,174,377</u>
Total Expenditures of Federal Awards			<u>\$ 1,500,982</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bogue Lusa Water Works District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Note 2. Loans Outstanding

The Bogue Lusa Water Works District had the following loan balances outstanding at December 31, 1999. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
U. S. Department of Agriculture		
Rural Utility Service	10.760	\$ 1,174,377

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**Schedule 7**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended December 31, 1999**

**Section I - Internal Control and Compliance Material to the Financial Statements:**

**Reference Number: 98-1**

**Fiscal Year Initially Occurred**

December 31, 1998

**Description of Finding:**

It was noted within Footnote 13 of the *Notes to the Financial Statements*, that the Bogue Lusa Water Works District has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue. It was also noted that management of the Bogue Lusa Water Works District cannot assure that parties with which the Bogue Lusa Water Works District does business will be year 2000 ready.

**Corrective Action Taken:**

Yes

**Section II - Internal Control and Compliance Material to Federal Awards:**

There was no Prior Year Audit Findings.

**Section III - Management Letter:**

There was no Prior Year Management Letter.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**Schedule 8**

**Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999**

**Section I - Internal Control and Compliance Material to the Financial Statements:**

No Section I Findings

**Section II - Internal Control and Compliance Material to Federal Awards:**

No Section II Findings

**Section III - Management Letter**

No Section III Findings.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**SCHEDULE 9**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1999**

**I. Type of Report Issued on the Financial Statements.**

A unqualified opinion was issued on the financial statements for the Bogue Lusa Water Works District, for the fiscal year ending December 31, 1999.

**II. Disclosure of Reportable Conditions in Internal Control.**

There were no reportable conditions disclosed by the audit of the financial statements of the district.

**III. Disclosure of noncompliance material to the financial statements.**

There were no material instances of noncompliance disclosed by the audit of the financial statements of the district, which are required to be reported in accordance with *Government Auditing Standards*.

**IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.**

There were no reportable conditions for the Major Program for the district for the fiscal year ending December 31, 1999.

**V. Type of Report Issued for Major Programs.**

Unqualified.

**VI. Disclosure of Audit Findings Required to be Reported under *S*\_\_\_\_.510 *Audit Findings*.**

There were no findings to be reported under *S*\_\_\_\_.510 *Audit Findings*.

**VII. Identification of Major Programs.**

The Major Programs for the Bogue Lusa Water Works District was the "Water and Waste Disposal Systems for Rural Communities" loan/grant program (CFDA 10.760).

**VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.**

Expenditures of \$300,000.

**IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under *S*\_\_\_\_.530.**

No. The Bogue Lusa Water Works District did not qualify as a low-risk auditee under the provisions of *S*\_\_\_\_.530, since the major program had not been audited in the prior two years.

**BOGUE LUSA WATER WORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Bogalusa, Louisiana**

**SCHEDULE 9  
(Continued)**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1999**

**X. Findings - Financial Statement Audit.**

There were no findings to be reported in accordance with GAGAS for the fiscal year ending December 31, 1999.

**XI. Findings and Questioned Costs for Federal Awards.**

There were no findings or questioned costs for the Bogue Lusa Water Works District for the fiscal year ending December 31, 1999.

**BRUCE HARRELL & CO.**  
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MEMBERS  
American Institute of  
CPAs  
Society of Louisiana CPAs

**REPORT BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of the Bogue Lusa Water Works District, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 1, 2000. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Bogue Lusa Water Works District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Bogue Lusa Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the USDA Rural Utility Service. However, this report is a matter of public record and its distribution is not limited.

*Bruce Harrell & Co.*

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation  
Kentwood, Louisiana  
February 1, 2000

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

**Compliance**

We have audited the compliance of the Bogue Lusa Water Works District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1999. The Bogue Lusa Water Works District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Bogue Lusa Water Works District's management. Our responsibility is to express an opinion on the Bogue Lusa Water Works District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bogue Lusa Water Works District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Bogue Lusa Water Works District's compliance with those requirements.

In our opinion, the Bogue Lusa Water Works District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

**Internal Control Over Compliance**

The management of the Bogue Lusa Water Works District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Bogue Lusa Water Works District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the USDA Rural Utility Service. However, this report is a matter of public record and its distribution is not limited.

*Bruce Harrell & Co.*

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