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BOULLE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
BOCALILLA, LOUISIANA

ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 1967

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

Release Date 4-10-78

**BOQUE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

**Component Unit Financial Statements
As of and for the Year Ended December 31, 1997
With Supplemental Schedules**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Bogus Lake Water Works District
Washington Parish Police Jury
Bogalusa, Louisiana

We have audited the accompanying component unit financial statements of the Bogus Lake Water Works District, Louisiana, as of and for the year ended December 31, 1997, as listed in the table of contents. These component unit financial statements are the responsibility of the Bogus Lake Water Works District's management. Our responsibility is to express an opinion on these component unit 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the Bogus Lake Water Works District, Louisiana, as of December 31, 1997, 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 March 11, 1998 on our consideration of the Bogus Lake Water Works 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 component unit financial statements of the Bogus Lake Waterworks District, Louisiana, taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Bogus Lake Water Works District. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.


Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kennerly, Louisiana
March 13, 1998

BOQUE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana

Statement A

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

Balance Sheet
December 31, 1997

ASSETS

Current Assets:

Cash	\$	138,260
Accounts Receivable		19,585
Accrued Billings		<u>22,840</u>
Total Current Assets		<u>170,685</u>

Restricted Assets:

Customer Deposits - Cash		5,080
Bond Reserve Account - Cash		121,135
Depreciation and Contingency Account - Cash		<u>87,475</u>
Total Restricted Assets		<u>213,720</u>

Property, Plant and Equipment:

Land		10,025
Utility Plant, in Service		<u>1,815,752</u>
Total Property, Plant and Equipment		1,825,777
Less: Accumulated Depreciation		<u>(594,888)</u>
Net Property, Plant and Equipment		<u>1,230,889</u>
Total Assets	\$	<u>1,324,394</u>

(Continued on the following page)

The accompanying notes are an integral part of this statement.

BOGIE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana

Statement A

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

Balance Sheet
(Continued)
December 31, 1997

LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$	5,625
Sales Tax Payable		632
Due to Other Governments		3,760
Revenue Bonds Payable - Current		60,180
		<hr/>

Total Current Liabilities (Payable From Current Assets) 70,217

Current Liabilities (Payable From Restricted Assets):

Customer Deposits		14,621
		<hr/>

Long-Term Liabilities:

Revenue Bonds Payable Long-Term		908,161
		<hr/>

Total Liabilities 1,621,189

Fund Equity:

Contributed Capital		123,311
Less Accumulated Amortization		(51,325)
		<hr/>
Net Contributed Capital		71,986

Retained Earnings:

Reserved for RUS Bond Interest and Redemption		151,153
Reserved for RUS Bond Depreciation and Contingency		87,376
Unreserved		10,250
		<hr/>

Total Retained Earnings 228,979

Total Fund Equity 300,915

Total Liabilities and Fund Equity \$ 1,724,004

(Continued)

The accompanying notes are an integral part of this statement.

**BOQUE L USA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Statement B

PROPRIETARY FUND - ENTERPRISE FUND

**Statement of Revenues, Expenses, and
Changes in Unreserved Retained Earnings
For the Year Ended December 31, 1997**

OPERATING REVENUES

Charges for Services:

Water Sales	\$	169,386
Installations		8,500
Penalties		1,625
Reconnect Fees		1,890
Other Revenues		408
		<u>181,809</u>
Total Operating Revenues		<u>181,809</u>

OPERATING EXPENSES:

Contract Operations & Maintenance		24,819
Contract Meter Readers		16,818
Contract Labor		29,339
Tireck Expense		1,814
Electricity		24,334
Plant Maintenance		-
Repairs & Maintenance		14,863
Board of Directors		2,210
Maintenance Supplies		13,713
Telephone		3,081
Insurance		7,804
Accounting Fees		5,117
Conventions & Seminars		338
Legal Services		-
Office Expenses		4,004
WFF Checks		31
Moving		340
Advertising		1,119
Bank Charges		-
Miscellaneous		-
Membership Dues		150
Depreciation Expense		<u>68,085</u>
Total Operating Expense		<u>159,889</u>

Net Operating Income		<u>21,920</u>
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(Continued on the following Page)

BOQUE LUISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana

Statement B

PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenue, Expenses, and
Changes in Unreserved Retained Earnings
(Continued)
For the Year Ended December 31, 1997

NON-OPERATING REVENUE (EXPENSES):	
Interest Income	\$ 12,826
Bond Interest Expense	(15,200)
Bad Debt	-
Insurance Settlement	<u>10,247</u>
Total Non-Operating Revenue (Expenses)	<u>\$10,173</u>
Net Income (Loss)	68,087
Unreserved Retained Earnings, Beginning of Year	(12,082)
Add: Amortization of Contributions	4,110
Less: (Increase) in Reserve for Revenue Bond Retirement	(12,085)
(Increase) in Reserve for Revenue Bond Contingency	<u>(5,730)</u>
Unreserved Retained Earnings, End of Year	\$ <u>10,792</u>
(Continued)	

The accompanying notes are an integral part of this statement.

**BOGIE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Statement C

PROPRIETARY FUND - ENTERPRISE FUND

**Statement of Cash Flows
For the Year Ended December 31, 1997**

Cash flows from operating activities:		
Operating Income		\$ 81,218
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 68,885	
Changes in Accounts Receivable	507	
Changes in Account Billings	(1,718)	
Changes in Accounts Payable and Accrued Expenses	(2,907)	
Changes in Due to Other Governments	3,768	
Changes in Current Liabilities Payable from Restricted Assets	<u>881</u>	
Total adjustments		<u>68,598</u>
Net cash provided by operating activities		149,816
Cash flows from noncapital financing activities:		
Insurance Settlement	<u>11,243</u>	
Net cash provided by noncapital financing activities		11,243
Cash flows from capital and related financing activities:		
Retirement of Revenue Bonds	(98,384)	
Interest	(15,288)	
Capital Additions	<u>(80,033)</u>	
Net cash used by capital and related financing activities		(193,705)
Cash flows from investing activities:		
Interest	<u>17,826</u>	
Net cash provided by investing activities		<u>17,826</u>
Net cash increase (decrease) for year		51,738
Cash at beginning of year		<u>181,254</u>
Cash at end of year		\$ <u>232,992</u>

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Notes to the Financial Statements
As of and for the Year Ended December 31, 1997

INTRODUCTION

Bogue Lusa Water Works District was established July 13, 1989, by an ordinance of the Washington Parish Police Jury. The ordinance, enacted pursuant to Louisiana Revised Statutes 13:1813, describes and defines the boundaries of the water district, and provides for a 3-member governing board of commissioners appointed by the Washington Parish Police Jury.

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 powers and privileges granted by the constitution and statutes of this state to such subdivisions, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Bogue Lusa Water Works District serves 1,281 water customers. The district does not have any employees, since the district contracts all of the billings and maintenance to outside contractors.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying component unit 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

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

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

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

BOQUE LEBEA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

Because the police jury appoints the governing board and the scope of public service is determined by the police jury, the district was determined to be a component unit of the Washington Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the district and does not present information on the police jury, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Boque Lebea 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 operations of this fund are 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.

Expenses

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 money market accounts. Cash equivalents include amounts in time deposits and short 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 and national banks having their principal offices in Louisiana.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if the original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

BOQUE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

F. 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.

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 revenues 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 works and lines and 10 to 15 years for equipment.

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.

BOQUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

2. CASH AND CASH EQUIVALENTS

At December 31, 1997, the district has cash and cash equivalents (book balances) totaling \$352,992, as follows:

Demand Deposits	1,68,260
Interest-bearing Demand Deposits	53,729
Time Deposits	218,000
Total	<u>\$352,992</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, 1997, the district has \$203,194 in deposits (collected bank balances). These deposits are secured from risk by \$268,965 of federal deposit insurance and \$182,729 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 5, Louisiana Revised Statute 39:1329 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. INVESTMENTS

At December 31, 1997, the district has no investments.

4. RECEIVABLES

The following is a summary of accounts receivable at December 31, 1997:

Current	\$ 66,214
31-60 Days	3,603
61-90 Days	127
Over 90 Days	29
Total	<u>70,583</u>
Less: Allowance for Bad Debts	-
Accounts Receivable, Net	<u>\$ 70,583</u>

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

8. FIXED ASSETS

A summary of fixed assets at December 31, 1997, follows:

Description	Life Yrs.	Cost	Accumulated Depreciation	Net	Depreciation Current
Phase I (1977)					
Land & Right of Way		\$ 1,800	\$ -	\$ 1,800	\$ -
Water Well	30	61,879	41,998	19,881	2,049
Water Distribution System	30	443,866	381,604	144,432	14,782
Water Booster	30	38,515	20,893	9,681	1,039
Fencing	15	1,680	1,680	-	-
Phase II (1977)					
Land & Right of Way		2,600	-	2,600	-
Water Distribution System	30	121,998	209,298	112,760	18,713
Water Well	30	83,328	42,611	23,944	3,185
Water Booster	30	27,708	18,084	9,694	923
Fencing	15	2,993	2,993	-	-
Phase III (1982)					
Land & Right of Way		1,800	-	1,800	-
Water Distribution System	30	180,613	78,804	180,809	6,808
Water Well	30	137,969	58,787	78,782	4,249
Highway 21 Reloc. (1984)	30	130,253	54,277	75,990	4,243
Building	30	2,749	1,700	1,648	93
Phase IV (1982)					
Water Distribution System	30	294,763	44,813	223,948	9,939
Office Equipment	10	1,124	1,124	-	-
Improvements	30	115,297	55,273	85,985	3,483
Totals		<u>\$1,823,777</u>	<u>\$ 894,888</u>	<u>\$ 928,889</u>	<u>\$ 83,085</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.

9. CONSTRUCTION IN PROGRESS

As of December 31, 1997, the district had no construction in progress.

**BOGIE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)**

7. LONG-TERM DEBT

The following is a summary of bond transactions of the Bogie Lisa Water Works District for the year ended December 31, 1993:

	1996 BLS Utility Revenue	1977 BLS Utility Revenue	1983 BLS Utility Revenue	1994 BLS Utility Revenue	Total
Bonds Payable January 1, 1993	\$ 368,094	\$ 393,917	\$ 113,917	\$ 291,817	\$ 1,166,745
Bonds Retired	<u>(36,852)</u>	<u>(13,471)</u>	<u>(26,511)</u>	<u>(2,887)</u>	<u>(89,721)</u>
Bonds Payable December 31, 1993	<u>\$ 331,242</u>	<u>\$ 380,446</u>	<u>\$ 87,406</u>	<u>\$ 278,930</u>	<u>\$ 978,064</u>

Bonds Payable at December 31, 1993, are comprised of the following individual issues:

	Current Amount (12/31/93)	Long-Term Amount (12/31/93)	Total Principal Balance (12/31/93)
1976 Revenue Bonds: \$348,080 utility bonds sold to BLS, dated 4/28/76; due in annual installments of \$4,800 - \$26,808 through April 30, 2012; interest at 5%	\$ 17,808	\$ 330,272	\$ 348,080
1977 Revenue Bonds: \$428,080 utility bonds sold to BLS, dated 9/28/77; due in annual installments of \$1,800 - \$26,808 through Sept. 28, 2003; interest at 5%	13,999	267,085	281,084
1983 Revenue Bonds: \$188,080 utility bonds sold to BLS, dated 6/27/83; due in annual installments of \$1,800 - \$22,808 through September 28, 1998; interest at 8.125%	27,999	60,264	88,263
1993 Revenue Bonds: \$290,080 utility bonds sold to BLS, dated 3/16/93; due in monthly installments of \$1,542 through April 8, 2031; interest at 5.625%	2,760	276,270	279,030
	<u>\$ 48,566</u>	<u>\$ 673,891</u>	<u>\$ 722,457</u>

BOQUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 1997, including interest payments of \$626,296 are as follows:

Year Ending December 31,	1976 BWS Revenue	1977 BWS Revenue	1983 BWS Revenue	1993 BWS Revenue	Total
1998	\$ 14,512	\$ 26,604	\$ 35,484	\$ 18,904	\$ 114,504
1999	14,512	26,604	35,484	18,904	114,504
2000	14,512	26,604	26,613	18,904	109,633
2001	14,512	26,604	-	18,904	79,020
2002	14,512	26,604	-	18,904	79,020
2003-2007	172,660	190,828	-	92,528	395,116
2008-2012	148,933	190,828	-	92,528	372,089
2013-2017	-	23,894	-	92,528	118,464
2018-2022	-	-	-	92,528	92,528
2023-2027	-	-	-	92,528	92,528
2028-2032	-	-	-	51,688	61,688
	<u>\$ 494,632</u>	<u>\$ 413,944</u>	<u>\$ 97,381</u>	<u>\$ 616,808</u>	<u>\$1,622,987</u>

8. FLOW OF FUNDS, RESTRICTIONS ON USE

The voters of the Bogal Lusa Waterworks District approved the issuance of \$548,080 and \$420,000 of the utility revenue bonds in elections held November 20, 1971, and March 3, 1977. The governing authority of the district adopted a resolution on February 25, 1976, authorizing issuance of \$548,080 of the utility revenue bonds - 1976 Series. On April 28, 1976, the district sold the \$548,080 authorized bonds to BWS. The governing authority of the district adopted a resolution on July 28, 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 BWS, 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 in 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 \$548,080 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 \$150,000 of revenue bonds for the purpose of extending and improving the existing waterworks system. On June 27, 1983, \$100,000 of the bonds were sold to BWS under the same basic terms and conditions mentioned above for the 1976 and 1977 issues. The bonds were issued at par for the 40 years with interest at 11.827%. During the year ended December 31, 1989, BWS reduced the interest rate of the bonds from 11.827% to 9.127%. The reduced rate was amortized back to the inception of the bonds. The loan adjustment applied \$14,900 more to principal reduction in the year 1989 than was actually paid. Total payments for 1989 on this 1983 issue were \$15,888. As a result of this rate reduction, the principal balance was reduced \$58,387. Interest expense was reduced by \$14,900 in the year 1989.

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

On July 9, 1993, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$290,080 of revenue bonds for the purpose of extending and improving the existing water works system. On March 8, 1993, \$290,080 of the bonds were sold to RUS under the same basic terms and conditions as the original 1978 and 1978 issues. The bonds were issued at par for 40 years with interest at 8.62%.

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 systems 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-fifth (1/5) 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 respectively become due on such date. Money in the Sinking Fund shall be deposited in 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. Alternatively, 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 10-year 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 at 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 on 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.

5. 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 POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)**

10. LITIGATION CLAIMS

During the 1993 annual audit, it was discovered that \$18,893 for 1993, and \$9,431 for 1994, of the district's collections, that were received during the year, were never deposited into the bank and are presumed missing. An investigation was conducted to try to determine whose the missing funds were. A state grand jury has convicted the contract manager and one of his employees regarding the losses. The district recognized the losses of \$18,893 for 1993 and \$9,431 for 1994, in its financial statements. The district notified their bonding company of the losses. The insurance company denied the claim for the losses. The district filed suits against the insurance carrier and the contract manager for recovery of the losses. The district received \$20,243 from their bonding company in the current year as a settlement of the prior year losses.

11. INTERGOVERNMENTAL AGREEMENT

The Bogue Lusa Waterworks District entered into a service agreement with the Varadero Waterworks District. The Varadero 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. Varadero Waterworks District will provide all system repairs 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. Varadero 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 33 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. SUBSEQUENT EVENT

During the year 1997, the Bogue Lusa Waterworks District adopted a resolution to issue Water Revenue Bonds in an amount not to exceed Four Hundred Fifty Thousand Dollars (\$450,000) for the purpose of acquiring and constructing, improvements and extensions to the waterworks system of the district. The district will be required to adopt the following water rates.

RESIDENTIAL RATES:

- \$10.00 per month for the first 2,000 gallons
- \$1.80 per thousand or part thereof, next 8,000 gallons
- \$1.50 per thousand or part thereof, all over 10,000 gallons

COMMERCIAL RATES:

- \$15.00 per month for the first 15,000 gallons
- \$1.30 per thousand or part thereof, all over 15,000 gallons

**BOGUE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Schedule 1

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

**Comparative Balance Sheet
December 31, 1997 and 1996**

ASSETS	1997	1996
Current Assets:		
Cash	\$ 129,283	\$ 95,790
Accounts Receivable	39,383	20,090
Accounts Billings	<u>22,840</u>	<u>20,902</u>
Total Current Assets	<u>171,686</u>	<u>146,882</u>
Restricted Assets:		
Customer Deposits -		
Cash	3,600	3,808
Bond Reserve Account -		
Cash	151,153	119,838
Depreciation and Contingency Account -		
Cash	<u>67,376</u>	<u>77,806</u>
Total Restricted Assets	<u>222,129</u>	<u>201,452</u>
Property, Plant and Equipment:		
Land	18,025	18,025
Utility Plant, in Service	<u>1,814,712</u>	<u>1,820,719</u>
Total Property, Plant and Equipment	<u>1,832,737</u>	<u>1,838,744</u>
Less: Accumulated Depreciation	<u>(924,888)</u>	<u>(824,800)</u>
Net Property, Plant and Equipment	<u>907,849</u>	<u>1,013,944</u>
Total Assets	<u>\$ 1,301,664</u>	<u>\$ 1,351,187</u>

(Continued on the following Page)

**BOQUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Schedule 1

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

Balance Sheet
(Continued)
December 31, 1997

LIABILITIES AND FUND EQUITY

Liabilities:

	1997	1996
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 5,625	\$ 7,762
Sales Tax Payable	632	662
Due to Other Governments	3,760	-
Revenue Bonds Payable - Current	<u>60,280</u>	<u>15,080</u>
Total Current Liabilities (Payable From Current Assets)	<u>70,317</u>	<u>68,564</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	<u>14,671</u>	<u>13,790</u>
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term	<u>918,181</u>	<u>1,080,093</u>
Total Liabilities	<u>1,623,189</u>	<u>1,680,359</u>

Fund Equity:

Contributed Capital	125,311	125,311
Less Accumulated Amortization	<u>(51,375)</u>	<u>(47,163)</u>
Net Contributed Capital	<u>73,936</u>	<u>78,148</u>

Retained Earnings:

Reserved for RUS Bond Interest and Redemption	131,153	109,658
Reserved for RUS Bond Depreciation and Contingency	87,576	77,406
Unreserved	<u>10,350</u>	<u>(21,692)</u>
Total Retained Earnings	<u>229,079</u>	<u>164,782</u>

Total Fund Equity	<u>300,914</u>	<u>240,828</u>
Total Liabilities and Fund Equity	<u>\$ 1,924,104</u>	<u>\$ 1,921,187</u>

(Concluded)

**BOGUE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Schedule 1

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

For the Year Ended December 31, 1997
and Actual For the Year Ended December 31, 1996

OPERATING REVENUES	Budget	Actual	Variance- (Unfavorable)	1996 Actual
Charges for Services:				
Water Sales	\$ 268,000	\$ 269,388	\$ 1,388	\$ 263,214
Installations	5,500	3,500	-	6,858
Penalties	3,000	3,823	(75)	3,333
Reconnect Fee	2,775	3,898	113	1,638
Other Revenue	288	498	28	353
Total Operating Revenue	279,653	281,107	1,452	276,204
OPERATING EXPENSES				
Contract Operations & Maintenance	24,800	24,853	(53)	26,548
Contract Meter Reading	18,800	19,858	(70)	9,778
Contract Labor	26,000	25,333	667	14,421
Truck Expense	3,100	2,856	244	2,789
Utilities	23,000	24,338	662	23,843
Plant Maintenance	-	-	-	796
Repairs & Maintenance	12,000	14,983	(27)	3,608
Board of Directors	2,300	2,330	(30)	2,348
Maintenance Supplies	15,000	15,733	(733)	13,218
Telephone	2,200	2,081	119	1,742
Insurance	7,000	7,084	(84)	6,723
Accounting Fees	5,100	5,117	(17)	6,280
Conventions & Seminars	250	328	12	-
Legal Services	-	-	-	-
Office Expense	4,200	4,084	196	6,123
PDF Checks	-	31	(31)	28
Moving	280	540	(60)	680
Advertising	1,200	1,139	81	-
Bank Charges	180	-	180	-
Miscellaneous	150	-	150	441
Membership Dues	180	150	(30)	190
Depreciation Expense	68,080	68,283	(83)	60,029
Total Operating Expense	204,780	199,889	1,311	180,860
Net Operating Income	78,432	81,218	2,782	95,344

(Continued on the following Page)

**BOULE LUISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Schedule B

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

For the Year Ended December 31, 1997
and Actual For the Year Ended December 31, 1996

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	1996 <u>Actual</u>
NON-OPERATING REVENUE (EXPENSES):				
Interest Income	\$ 12,500	\$ 12,826	\$ 326	\$ 18,797
Bond Interest Expense	(69,680)	(53,200)	13,800	(71,045)
Bond Debt	11,500	-	1,500	-
Insurance Settlement	21,250	21,248	(2)	-
Total Non-Operating Revenue (Expense)	<u>(14,430)</u>	<u>(21,126)</u>	<u>15,318</u>	<u>(50,888)</u>
Net Income (Loss)	<u>\$ 42,065</u>	<u>60,667</u>	<u>\$ 18,602</u>	<u>34,816</u>
Unreserved Retained Earnings (Deficit)				
Beginning of Year		(31,082)		(46,888)
ADD: Amortization of Contributions		4,110		4,109
Less: (Increase) in Reserve for Revenue Bond Retirement		(12,095)		(11,711)
(Increase) in Reserve for Revenue Bond Contingency		<u>(8,728)</u>		<u>(9,484)</u>
Unreserved Retained Earnings (Deficit), End of Year		<u>\$ 16,250</u>		<u>\$ (12,082)</u>

(Continued)

**BOGUE LESA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Schedule J

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the Year Ended December 31, 1997**

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
Malvin Martin, President	\$018
Howard Stewart, Secretary	488
Malvin Fuller, Vice-President	308
Jim Willis, Commissioner	368
Jean Slaughter, Commissioner	488
Total Compensation Paid	\$2,118

Board of Commissioners	Address	Term of Office
Malvin Martin, President	2671 S. Columbia Rd. Bogalusa, LA 70417	01/01/98 to 12/31/98
Howard Stewart	11175 Pine Ridge Rd. Bogalusa, LA 70427	01/01/96 to 12/31/98
Malvin Fuller	13266 Hwy 21-B Bogalusa, LA 70427	01/01/98 to 12/31/99
Jim Willis	29881 LA Hwy 1074 Bogalusa, LA 70427	01/01/97 to 12/31/99
Jean Slaughter	58218 Hwy 60 Bogalusa, LA 70427	01/01/96 to 12/31/2000

The accompanying notes are an integral part of this statement.

**BOGALUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
Bogalusa, Louisiana**

Schedule 4

**SCHEDULE OF INSURANCE
For the Year Ended December 31, 1997**

Insurance Company	Coverage	Effective Date	Expiration Date
Western Surety Bond # 18274192	Position Fidelity Schedule	7/06/96	7/06/97
	Bonds, Coverage as follows:	7/06/97	7/06/98
	President \$100,000 Secretary/Treasurer \$100,000 Assistant Manager \$20,000		
Hartford Insurance Company Policy # 9130900-19	Boiler & Machinery Policy, Blanket Coverage of \$180,000 for 6 locations, Deductible of \$1,000	9/11/96 9/11/97	9/11/97 9/11/98
	Public Official's Liability, \$500,000 Maximum per Claim per Year, Deductible of \$1,100 Each Claimant	10/16/96 10/16/97	10/16/97 10/16/98
Titan Indemnity Company Policy # 90-HP-01710	General Liability of \$100,000 Combined Single Limit	10/16/96 10/16/97	10/16/97 10/16/98

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 Yarraco 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.

**BOULE LISA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
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, 1997**

	Bond Reserve	Bond Depreciation and Contingency	Total
Cash Balance, January 1, 1997	\$119,318	\$77,808	\$197,126
Cash Receipts:			
Transfers From Operating Account	6,000	6,000	12,000
Interest Earned	6,895	1,379	8,274
Cash Disbursements	-	-	-
Cash Balance, December 31, 1997	\$132,113	\$85,577	\$217,690

SCHEDULE OF WATER CUSTOMERS

As of December 31, 1997, the district had the following number of customers:

Water-Residential	1,268
Water-Commercial	13
Water-School	4
Water-Prison	1
Total Water Customers	1,286

The accompanying notes are an integral part of this statement.

BOGUE LESA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
 Bogalusa, Louisiana

Schedule 6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 December 31, 1997

Federal Grantor/Pass-Through Grantor/Program Title U. S. Department of Agriculture Rural Utility Service	CFDA Number	Pass-Through Grantor's No.	Program Account	Loan Balance at 11/1/97	Expenses	Loan Balance at 12/31/97
	* 19-418	21-099-070900401	\$1,550,000	\$1,280,000	\$14,364	\$1,294,364
						\$1,294,364

* Note: The only federal awards the Bogue Lesa Water Works District has are the USDA Rural Utility Service loans, which the district is repaying.

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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 ACCOUNTING STANDARDS**

Board of Commissioners
Bogus Luss Water Works District
Washington Parish Police Jury
Bogalusa, Louisiana

We have audited the financial statements of the Bogus Luss Water Works District, as of and for the year ended December 31, 1997, and have issued our report thereon dated March 13, 1998. 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 Bogus Luss 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 on the determination of financial statements amounts. However, providing an opinion on compliance with these 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 Bogus Luss 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 & Company, CPAs
A Professional Accounting Corporation

Kennerwood, Louisiana
March 13, 1998