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BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
BOGALUSA, LOUISIANA

ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 1998

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 JUN 16 1999

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

Component Unit Financial Statements
As of and for the Year Ended December 31, 1998
With Supplemental Schedules

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying component unit financial statements of the Bogue Lusa Water Works District, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These component unit financial statements are the responsibility of the Bogue Lusa Water Works District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Bogue Lusa Water Works District, Louisiana, has included such disclosures in Note 13. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Bogue Lusa Water Works District, Louisiana's disclosures with respect to the year 2000 issue made in Note 13. Further, we do not provide assurance that the Bogue Lusa Water Works District, Louisiana, is or will be successful in whole or in part, or that parties with which the Bogue Lusa Water Works District, Louisiana, does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the component unit 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, 1998, 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 April 23, 1999 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.

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

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of the Boguc Lusa 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 Boguc Lusa 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

Kentwood, Louisiana
April 23, 1999

**BOGUE LUSA 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, 1998**

ASSETS

Current Assets:

Cash	\$ 225,294
Accounts Receivable	23,843
Accrued Billings	<u>15,447</u>
Total Current Assets	<u>264,584</u>

Restricted Assets:

Customer Deposits - Cash	5,000
Bond Reserve Account - Cash	81,658
Depreciation and Contingency Account - Cash	<u>97,797</u>
Total Restricted Assets	<u>184,455</u>

Property, Plant and Equipment:

Land	10,025
Utility Plant, in Service	<u>1,848,450</u>
Total Property, Plant and Equipment	1,858,475
Less: Accumulated Depreciation	<u>(955,251)</u>
Net Property, Plant and Equipment	<u>903,224</u>
Total Assets	<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 POLICE JURY
Bogalusa, Louisiana**

Statement A

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

**Balance Sheet
(Continued)
December 31, 1998**

LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 6,860
Sales Tax Payable	373
Due to Other Governments	4,795
Revenue Bonds Payable - Current	<u>32,700</u>

Total Current Liabilities (Payable From Current Assets) 44,728

Current Liabilities (Payable From Restricted Assets)

Customer Deposits	<u>14,336</u>
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Long-Term Liabilities:

Revenue Bonds Payable - Long-Term	<u>880,905</u>
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Total Liabilities 939,969

Fund Equity:

Contributed Capital	123,311
Less Accumulated Amortization	<u>(55,485)</u>

Net Contributed Capital 67,826

Retained Earnings:

Reserved for RUS Bond Interest and Redemption	81,658
Reserved for RUS Bond Depreciation and Contingency	97,797
Unreserved	<u>165,013</u>

Total Retained Earnings 344,468

Total Fund Equity 412,294

Total Liabilities and Fund Equity \$ 1,352,263

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA 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, 1998**

OPERATING REVENUES

Charges for Services:

Water Sales	\$ 311,940
Installations	7,950
Penalties	3,595
Reconnect Fees	2,305
Other Revenues	892
	326,682

Total Operating Revenues	326,682
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OPERATING EXPENSES

Contract Operations & Maintenance	23,130
Contract Meter Readers	10,083
Contract Labor	24,641
Truck Expense	2,881
Electricity	21,507
Repairs & Maintenance	6,461
Board of Directors	2,410
Maintenance Supplies	12,184
Telephone	1,935
Insurance	7,060
Accounting Fees	4,975
Conventions & Seminars	440
Legal Services	277
Office Expense	4,951
NSF Checks	75
Mowing	400
Advertising	2,001
Miscellaneous	25
Membership Dues	150
Cash Short/Over	-
Depreciation Expense	60,363
	185,949

Total Operating Expense	185,949
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Net Operating Income	140,733
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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 POLICE JURY
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, 1998**

NON-OPERATING REVENUE (EXPENSES):

Interest Income	\$ 12,197
Bond Interest Expense	(41,551)
Bad Debts	<u>-</u>
Total Non-Operating Revenue (Expenses)	<u>(29,354)</u>
Net Income (Loss)	111,379
Unreserved Retained Earnings, Beginning of Year	10,250
Add: Amortization of Contributions	4,110
Less: (Increase) in Reserve for Revenue Bond Retirement	49,495
(Increase) in Reserve for Revenue Bond Contingency	<u>(10,221)</u>
Unreserved Retained Earnings, End of Year	<u>\$ 165,013</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE 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, 1998**

Cash flows from operating activities:		
Operating Income		\$ 140,733
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 60,363	
Changes in Accounts Receivable	(4,260)	
Changes in Accrued Billings	7,393	
Changes in Accounts Payable and Accrued Expenses	976	
Changes in Due to Other Governments	1,035	
Changes in Current Liabilities Payable from Restricted Assets	<u>(335)</u>	
Total adjustments		<u>65,172</u>
Net cash provided by operating activities		205,905
Cash flows from capital and related financing activities:		
Retirement of Revenue Bonds	(85,096)	
Interest	(41,551)	
Capital Additions	<u>(34,698)</u>	
Net cash used by capital and related financing activities		(161,345)
Cash flows from investing activities:		
Interest	<u>12,197</u>	
Net cash provided by investing activities		<u>12,197</u>
Net cash increase (decrease) for year		56,757
Cash at beginning of year		<u>352,992</u>
Cash at end of year		<u><u>\$ 409,749</u></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, 1998

INTRODUCTION

Bogue Lusa Water Works District was established July 31, 1969, by an ordinance of the Washington Parish Police Jury. 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 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 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 1,303 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 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

The district is a component unit of the Washington Parish Police Jury, the financial reporting entity. The police jury 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 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 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

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

operation 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.

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 POLICE JURY
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, 1998, the district has cash and cash equivalents (book balances) totaling \$409,749, as follows:

Demand Deposits	\$165,294
Interest-bearing Demand Deposits	54,455
Time Deposits	190,000
Total	<u>\$409,749</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, 1998, the district has \$409,730 in deposits (collected bank balances). These deposits are secured from risk by \$244,594 of federal deposit insurance and \$165,155 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 POLICE JURY
Bogalusa, Louisiana
Notes to the Financial Statements (Continued)

3. INVESTMENTS

At December 31, 1998, the district has no investments.

4. RECEIVABLES

The following is a summary of accounts receivables at December 31, 1998:

Current	\$ 19,303
31-60 Days	3,592
61-90 Days	665
Over 90 Days	283
Total	<u>23,843</u>
Less: Allowance for Bad Debts	-
Accounts Receivable, Net	<u><u>\$ 23,843</u></u>

5. CONSTRUCTION IN PROGRESS

As of December 31, 1998, the district began 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.

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

6. FIXED ASSETS

A summary of fixed assets at December 31, 1998, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Deprcciation Current
Phase I (1977)					
Land & Right of Way		\$ 1,800	\$ -	\$ 1,800	\$ -
Water Well	30	61,479	44,047	17,432	2,049
Water Distribution System	30	443,466	317,816	125,650	14,782
Water Booster	30	30,575	21,911	8,664	1,019
Fencing	15	1,680	1,680	-	-
Phase II (1977)					
Land & Right of Way		2,600	-	2,600	-
Water Distribution System	30	321,998	220,031	101,967	10,733
Water Well	30	65,556	44,796	20,760	2,185
Water Booster	30	27,700	18,927	8,773	923
Fencing	15	2,995	2,995	-	-
Phase III (1982)					
Land & Right of Way		1,800	-	1,800	-
Water Distribution System	30	180,013	84,004	96,009	6,000
Water Well	30	137,969	64,386	73,583	4,599
Highway 21 Reloc. (1984)	30	130,253	58,615	71,638	4,342
Building	30	2,749	1,193	1,556	92
Phase IV (1992)					
Land & Right of Way		3,825	-	3,825	-
Water Distribution System	30	298,763	54,774	243,989	9,959
Office Equipment	10	1,124	1,124	-	-
Improvements	30	107,432	18,952	88,480	3,680
Construction in Progress		34,698	-	34,698	-
Totals		<u>\$1,858,475</u>	<u>\$ 955,251</u>	<u>\$ 903,224</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 POLICE JURY
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, 1998:

	1976 RUS Utility Revenue	1977 RUS Utility Revenue	1983 RUS Utility Revenue	1993 RUS Utility Revenue	1998 RUS Utility Revenue	Total
Bonds Payable January 1, 1998	\$ 352,462	\$ 280,505	\$ 87,264	\$ 278,470	\$ -	\$ 998,701
Bonds Sold	-	-	-	-	34,600	34,600
Bonds Retired	(17,320)	(11,979)	(87,264)	(3,133)	-	(119,696)
Bonds Payable December 31, 1998	<u>\$ 335,142</u>	<u>\$ 268,526</u>	<u>\$ -</u>	<u>\$ 275,337</u>	<u>\$ 34,600</u>	<u>\$ 913,605</u>

Bonds Payable at December 31, 1998, are comprised of the following individual Issues:

	Current Amount 12/31/98	Long-Term Amount 12/31/98	Total Principal Balance 12/31/98
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%	\$ 17,500	\$ 317,641	\$ 335,141
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%	12,000	256,527	268,527
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%	3,200	272,137	275,337
1998 Revenue Bonds: \$400,000 utility bonds sold to RUS, interest at 4.875%	-	34,600	34,600
	<u>\$ 32,700</u>	<u>\$ 880,905</u>	<u>\$ 913,605</u>

BOGUE 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, 1998, including interest payments of \$559,560 are as follows:

Year Ending December 31,	1976 RUS Revenue	1977 RUS Revenue	1983 RUS Revenue	1993 RUS Revenue	Total
1999	\$ 34,512	\$ 26,004	\$ -	\$ 18,504	\$ 79,020
2000	34,512	26,004	-	18,504	79,020
2001	34,512	26,004	-	18,504	79,020
2002	34,512	26,004	-	18,504	79,020
2003	34,512	26,004	-	18,504	79,020
2004-2008	172,560	130,020	-	92,520	395,100
2009-2013	115,040	119,185	-	92,520	326,745
2014-2018	-	-	-	92,520	92,520
2019-2023	-	-	-	92,520	92,520
2024-2028	-	-	-	92,520	92,520
2029-2033	-	-	-	43,176	43,176
	<u>\$ 460,160</u>	<u>\$ 379,225</u>	<u>\$ -</u>	<u>\$ 598,296</u>	<u>\$1,437,681</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 POLICE JURY
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, 1998, the water district has drawn \$34,600 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.

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

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.

10. LITIGATION CLAIMS

There are no pending litigations as of December 31, 1998.

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. The district adopted the following water rates.

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

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

13. Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Bogue Lusa Water Works District, Louisiana's operations as early as fiscal year 1999.

The Bogue Lusa Water Works District, Louisiana, has not inventoried computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting the Bogue Lusa Water Works District, Louisiana, operations. It is unknown as of December 31, 1998, what effects, if any, failing to remediate any such systems will have upon the Bogue Lusa Water Works District, Louisiana, operations and financial reporting.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Bogue Lusa Water Works District, Louisiana, is or will be Year 2000 ready, that the Bogue Lusa Water Works District, Louisiana's remediation efforts will be successful in whole or in part, or that parties with whom the Bogue Lusa Water Works District, Louisiana, does business will be Year 2000 ready.

SUPPLEMENTAL INFORMATION

**BOGUE LUSA 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, 1998 and 1997**

ASSETS	<u>1998</u>	<u>1997</u>
Current Assets:		
Cash	\$ 225,294	\$ 129,263
Accounts Receivable	23,843	19,583
Accrued Billings	<u>15,447</u>	<u>22,840</u>
Total Current Assets	<u>264,584</u>	<u>171,686</u>
Restricted Assets:		
Customer Deposits -		
Cash	5,000	5,000
Bond Reserve Account -		
Cash	81,658	131,153
Depreciation and Contingency Account -		
Cash	<u>97,797</u>	<u>87,576</u>
Total Restricted Assets	<u>184,455</u>	<u>223,729</u>
Property, Plant and Equipment:		
Land	10,025	10,025
Utility Plant, in Service	<u>1,848,450</u>	<u>1,813,752</u>
Total Property, Plant and Equipment	1,858,475	1,823,777
Less: Accumulated Depreciation	<u>(955,251)</u>	<u>(894,888)</u>
Net Property, Plant and Equipment	<u>903,224</u>	<u>928,889</u>
Total Assets	<u>\$ 1,352,263</u>	<u>\$ 1,324,304</u>

(Continued on the following Page)

**BOGUE 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, 1998 and 1997**

LIABILITIES AND FUND EQUITY

Liabilities:

	<u>1998</u>	<u>1997</u>
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 6,860	\$ 5,625
Sales Tax Payable	373	632
Due to Other Governments	4,795	3,760
Revenue Bonds Payable - Current	<u>32,700</u>	<u>60,200</u>
Total Current Liabilities (Payable From Current Assets)	<u>44,728</u>	<u>70,217</u>
Current Liabilities (Payable From Restricted Assets)		
Customer Deposits	<u>14,336</u>	<u>14,671</u>
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term	<u>880,905</u>	<u>938,501</u>
Total Liabilities	<u>939,969</u>	<u>1,023,389</u>
Fund Equity:		
Contributed Capital	123,311	123,311
Less Accumulated Amortization	<u>(55,485)</u>	<u>(51,375)</u>
Net Contributed Capital	<u>67,826</u>	<u>71,936</u>
Retained Earnings:		
Reserved for RUS Bond Interest and Redemption	81,658	131,153
Reserved for RUS Bond Depreciation and Contingency	97,797	87,576
Unreserved	<u>165,013</u>	<u>10,250</u>
Total Retained Earnings	<u>344,468</u>	<u>228,979</u>
Total Fund Equity	<u>412,294</u>	<u>300,915</u>
Total Liabilities and Fund Equity	<u>\$ 1,352,263</u>	<u>\$ 1,324,304</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
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, 1998
and Actual For the Year Ended December 31, 1997**

OPERATING REVENUES	Budget	Actual	Variance- Favorable (Unfavorable)	1997 Actual
Charges for Services:				
Water Sales	\$ 320,000	\$ 311,940	\$ (8,060)	\$ 269,386
Installations	8,000	7,950	(50)	5,500
Penalties	3,500	3,595	95	2,925
Reconnect Fees	2,100	2,305	205	2,890
Other Revenues	885	892	7	406
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	334,485	326,682	(7,803)	281,107
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES				
Contract Operations & Maintenance	25,000	23,130	1,870	24,055
Contract Meter Readers	10,500	10,083	417	10,030
Contract Labor	24,500	24,641	(141)	25,335
Truck Expense	3,500	2,881	619	2,856
Utilities	23,500	21,507	1,993	24,338
Repairs & Maintenance	10,000	6,461	3,539	14,863
Board of Directors	2,500	2,410	90	2,230
Maintenance Supplies	15,000	12,184	2,816	15,733
Telephone	2,500	1,935	565	2,081
Insurance	7,500	7,060	440	7,004
Accounting Fees	5,500	4,975	525	5,117
Conventions & Seminars	500	440	60	338
Legal Services	-	277	(277)	-
Office Expense	5,000	4,951	49	4,004
NSF Checks	500	75	425	11
Mowing	500	400	100	540
Advertising	2,000	2,001	(1)	1,119
Miscellaneous	200	25	175	-
Membership Dues	100	150	(50)	150
Cash Short/Over	100	-	100	-
Depreciation Expense	60,000	60,363	(363)	60,085
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expense	198,900	185,949	12,951	199,889
	<hr/>	<hr/>	<hr/>	<hr/>
Net Operating Income	135,585	140,733	5,148	81,218
(Continued on the following Page)				

The accompanying notes are an integral part of this statement.

**BOGUE LUSA WATER WORKS DISTRICT
WASHINGTON PARISH POLICE JURY
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, 1998
and Actual For the Year Ended December 31, 1997**

	Budget	Actual	Variance- Favorable (Unfavorable)	1997 Actual
NON-OPERATING REVENUE (EXPENSES):				
Interest Income	\$ 12,000	\$ 12,197	\$ 197	\$ 12,826
Bond Interest Expense	(44,000)	(41,551)	2,449	(55,200)
Bad Debts	(1,500)	-	1,500	-
Insurance Settlement	-	-	-	21,243
	(33,500)	(29,354)	4,146	(21,131)
Net Income (Loss)	\$ 102,085	111,379	\$ 9,294	60,087
Unreserved Retained Earnings				
Beginning of Year		10,250		(32,082)
Add: Amortization of Contributions		4,110		4,110
Less: (Increase) in Reserve for Revenue Bond Retirement		49,495		(12,095)
(Increase) in Reserve for Revenue Bond Contingency		(10,221)		(9,770)
Unreserved Retained Earnings (Deficit), End of Year		\$ 165,013		\$ 10,250

(Concluded)

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

Schedule 3

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the Year Ended December 31, 1998**

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	\$650
Howard Stewart, Secretary	480
Melvin Fuller, Vice-President	480
Jim Willis, Commissioner	360
Jean Slaughter, Commissioner	440
Total Compensation Paid	\$2,410

Board of Commissioners	Address	Term of Office
Melvin Martin, President	2675 S. Columbia Rd. Bogalusa, LA 70427	01/01/96 to 12/31/99
Howard Stewart	11175 Pine Ridge Rd. Bogalusa, LA 70427	01/01/96 to 12/31/98
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 12/31/2000

The accompanying notes are an integral part of this statement.

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

Schedule 4

**SCHEDULE OF INSURANCE
For the Year Ended December 31, 1998**

Insurance Company	Coverage	Effective Date	Expiration Date
Western Surety Bond # 18274192	Position Fidelity Schedule	7/06/98	7/06/99
	Bonds, Coverage as follows:	7/06/97	7/06/98
	President \$100,000		
	Secretary/Treasurer \$100,000 Contract Manager \$20,000		
Hartford Insurance Company Police # 9530303-19	Boiler & Machinery Policy,	9/11/98	9/11/99
	Blanket Coverage of \$100,000 for 6 locations, Deductible of \$1,000	9/11/97	9/11/98
Titan Indemnity Company Policy # 90-HP-01710	Public Official's Liability,	10/16/98	10/16/99
	\$500,000 Maximum per Claim per Year, Deductible of \$2,500 Each Claimant	10/16/97	10/16/98
Titan Indemnity Company Policy # 90-HP-01710	General Liability of \$500,000	10/16/98	10/16/99
	Combined Single Limit	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 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 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, 1998**

	Bond Reserve	Bond Depreciation and Contingency	Total
Cash Balance, January 1, 1998	\$131,153	\$87,576	\$218,729
Cash Receipts:			
Transfers From Operating Account	6,000	6,000	12,000
Interest Earned	4,505	4,221	8,726
Cash Disbursements	60,000	-	60,000
Cash Balance, December 31, 1998	\$81,658	\$97,797	\$179,455

SCHEDULE OF WATER CUSTOMERS

As of December 31, 1998, the district had the following number of customers.

Water-Residential	1,286
Water-Commercial	12
Water-School	4
Water-Prison	1
Total Water Customers	1,303

The accompanying notes are an integral part of this statement.

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

Schedule 6

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 1998**

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

There were no Prior Year Audit Findings.

Section II - Management Letter:

There was no Prior Year Management Letter.

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

Schedule 7

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 1998**

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

Reference Number: 98-1

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 Planned:

The Bogue Lusa Water Works District will maintain contact with the agency processing their accounting data, to insure that systems and programs are year 2000 compliant.

Name of Contact Person:

Mary Thigpen, Manager
Varnado, Louisiana

Anticipated Completion Date:

We will check with agencies immediately and throughout the remainder of the year to determine year 2000 compliance for systems and programs that process financial and management data of the Bogue Lusa Water Works District.

Section II - Management Letter

No Section II Findings.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

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MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

**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 Police Jury
Bogalusa, Louisiana

We have audited the financial statements of the Bogue Lusa Water Works District, as of and for the year ended December 31, 1998, and have issued our report thereon dated April 23, 1999, which was qualified because insufficient audit evidence exists to support the Bogue Lusa Water Works District, Louisiana's disclosure with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 98-1.

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 & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana
April 23, 1999