

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

**Annual Financial Report
December 31, 2003 and 2002**

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 Bogalusa Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-28-04

**Bayou Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Annual Financial Report
December 31, 2003 and 2002
With Supplemental Information Schedules**

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Auditor's Report.....			1-2
Management's Discussion and Analysis.....			3-10
Business-Type Financial Statements:			
Balance Sheet.....	A		11-12
Statement of Revenues, Expenses, and Changes in Net Assets.....	B		13-14
Statement of Cash Flows.....	C		15-16
Notes to the Financial Statements.....			17-28
Supplemental Information Schedules:			
Budgetary Comparison Schedule.....		1	29-30
Schedule of Depreciation.....		2	31
Schedule of Compensation Paid Board of Commissioners.....		3	32
Schedule of Water Customers and Schedule of Water Rates.....		4	33
Summary Schedule of Prior-Year Audit Findings.....			34
Corrective Action Plan for Current Year Audit Findings.....			35
Report on Compliance and on Internal Control.....			36-37

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MEMBER:
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Board of Commissioners
Bogus Lake Water Works District
Washington Parish Council
Bogus Lake, Louisiana

Commissioners:

I have audited the accompanying financial statements of business-type activities of the Bogus Lake Water Works District, Bogus Lake, Louisiana, a component unit of the Washington Parish Council, as of December 31, 2003 and 2002, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Commissioners. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

The accompanying financial information, listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Bogus Lake Water Works District. The information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In my opinion, the financial statements and supplemental information referred to in the above paragraphs, present fairly, in all material respects, the financial position of the business-type activities of the Bogus Lake Water Works District, as of December 31, 2003 and 2002, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 27, 2004, on my consideration of the Bogus Lake Water Works District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express an opinion on it.



William R. Durbin, CPA
William R Durbin CPA, LLC

May 21, 2004

Management's Discussion and Analysis

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

Management's Discussion and Analysis

Introduction

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

Financial Highlights

- Total assets for the year were \$1,896,638 at December 31, 2003, and exceeded liabilities in the amount of \$688,187 (i.e., net assets). Of the total net assets, \$314,698 was restricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service.
- User fee revenues (water sales) for the fiscal year ending December 31, 2003 remained relatively constant decreasing to \$334,399 representing an approximate .2% decrease from the total user fees of \$335,993 for the fiscal year ending December 31, 2002. One of the reasons for the stability in total water sales was that the total customers only increased by one-tenth (.1%) from the prior fiscal year, totaling 1,371 at December 31, 2003.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than interest income and interest expense, increased by \$79,378 (34.82% increase) as compared to the prior fiscal year, totaling \$206,665 for the fiscal year ended December 31, 2003.
- Interest income for the fiscal year ended December 31, 2003, totaled \$3,344 representing a decrease of \$1,958 from the prior fiscal year.
- Total long-term debt decreased from \$1,088,347 at December 31, 2002, to \$1,014,081 at December 31, 2003. The decrease is due primarily to the payment of principal on outstanding bonds.
- As a result of the demand for services, and long-range plans of the Bogalusa Water Works District, the District is in the process of building a new office. The new office is to be located at 300 Ralph Drive, Bogalusa, Louisiana.

**Boyer Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Boyer Lake Water Works District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Boyer Lake Water Works District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

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

Management's Discussion and Analysis

Condensed Balance Sheet

	December 31, 2001	December 31, 2000	Dollar Change	Percent Change
Current and Other Assets	\$ 695,587	\$ 634,315	\$ (61,272)	-9.67%
Capital Assets	1,281,941	1,211,848	69,093	5.71%
Total Assets	\$ 1,977,528	\$ 1,846,163	\$ 131,365	7.12%
Long-Term Debt Outstanding	\$ 1,044,481	\$ 1,088,187	\$ (43,706)	-4.02%
Other Liabilities	177,960	77,564	100,396	129.44%
Total Liabilities	1,222,441	1,165,751	56,690	4.86%
Invested in Capital Assets, Net of Related Debt	81,104	18,212	62,892	345.99%
Restricted for Capital Activity and Debt Service	262,367	248,342	14,025	5.65%
Unrestricted	314,816	351,479	(36,663)	-10.43%
Total Net Assets	655,187	680,414	(25,227)	-3.71%
Total Liabilities and Net Assets	<u>\$ 1,877,628</u>	<u>\$ 1,846,565</u>	<u>\$ 31,063</u>	<u>1.68%</u>

The major components of change for "Current and Other Assets" are a \$24,289 decrease in spending cash, a \$14,900 decrease in prepaid insurance, and a \$14,519 increase in restricted assets (required deposits related to RLS bond requirements), less overall decreases in other current assets.

"Capital Assets" increased by \$69,293, reflecting \$135,518 in total purchases for water system capital assets, less the depreciation recorded on capital assets of \$66,225 for the fiscal year ending December 31, 2001.

The decrease in "Long-Term Debt Outstanding" of \$43,706 is due to payment of principal on existing water revenue bonds for the District. A more detailed analysis of the changes in long-term debt is included in a following section entitled "Long-Term Debt Activity".

"Other Liabilities" increased by \$100,396, due primarily to an increase of \$2,158 in the current portion of bonds payable, a \$9,600 increase in retainage payable and a \$88,638 increase in accounts payable-construction.

"Total Net Assets" (total assets less total liabilities) decreased by \$25,227 for the fiscal year ending December 31, 2001.

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

Management's Discussion and Analysis

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

	Year Ended December 31, 2003	Year Ended December 31, 2002	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 343,834	\$ 340,465	\$ (3,369)	-1.27%
Non-operating Revenues	9,798	11,833	(1,835)	-15.57%
Total Revenues	354,632	352,297	(2,335)	-1.54%
Expenses:				
Depreciation Expense	86,337	83,221	3,116	3.73%
Other Operating Expenses	228,328	181,874	46,454	25.54%
Non-operating Expense	39,994	72,456	(32,462)	-44.80%
Total Expenses	354,659	337,551	17,108	5.07%
Income (Loss) Before Contributions & Prior Period Adjustments	(11,027)	14,746	(25,773)	
Prior Period Adjustments:				
Capital Contributions	-	(6,908)	6,908	
Changes in Net Assets	(11,027)	14,666	(25,693)	
Beginning Net Assets	680,834	685,518	(4,684)	
Ending Net Assets	\$ 669,807	\$ 680,204	\$ (10,397)	

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides interest to the nature and scope of these changes. The above table gives an indication of how Bogalusa Water Works District is being conservatively managed. Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) decreased by \$3,369 from the prior fiscal year, with two of the decreases consisting of \$704 less billed for water sales and a decrease of \$2,665 for installations. Non-operating Revenues, consisting of interest income, decreased by \$1,834 due primarily to a lower rate of return currently available on cash-deposited. Total expenses increased by \$17,108. For the category of expenses most controllable by the District, "Other Operating Expenses", there was a \$46,454 increase from the prior year. This increase was due mostly to contract labor, electricity and insurance expenses that had increases of \$13,368, \$11,563, and \$12,525, respectively. "Other Operating Expenses" includes expenditures for operations, other than for "Depreciation Expense". The final category, "Non-operating Expense" includes interest expense and decreased by \$32,462 from the prior fiscal year.

The District showed a loss of \$11,027 for the fiscal year ended December 31, 2003, down from the reported profit of \$14,746 for fiscal year ended December 31, 2002.

**Rogers Lane Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Budgetary Highlights

Rogers Lane Water Works District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenues and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, more-detailed schedules is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year Ended December 31, 2003

	Budget Year Ended December 31, 2003	Actual Year Ended December 31, 2003	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 348,000	\$ 345,004	\$ (2,996)
Non-operating	9,708	9,798	88
Total Revenues	357,708	354,802	(2,906)
Operating Expenses:			
Accounting	11,800	6,525	4,475
Board of Directors	2,200	2,840	160
Contract Labor	47,800	47,182	(182)
Contract Meter Readers	11,800	11,889	(89)
Contract Operations & Maintenance	28,500	28,752	(252)
Depreciation Expense	85,000	86,337	(1,337)
Insurance	35,000	33,800	1,200
Maintenance Supplies	28,000	17,316	2,684
Office Expenses	5,100	5,183	113
Repairs & Maintenance	14,000	8,946	2,934
Utilities	48,000	42,158	(2,140)
Other Operating Expenses	17,208	16,413	797
Total Operating Expenses	313,008	306,603	6,735
Non-Operating Expenses:			
Interest Expense	71,000	39,994	12,006
Total Non-operating Exp.	71,000	39,994	12,006
Total Expenses	384,008	366,639	18,241
Income (Loss) Before Capital Contributions & Prior Period Adjustment	\$ (26,300)	\$ (11,837)	\$ 16,463

Actual revenues were below budgeted revenues by \$2,906 primarily because water sales and fees for installations were less than anticipated. For "Operating Expenses" actual expenses were \$6,133 below budgeted expenses.

Bayou Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana

Management's Discussion and Analysis

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2003	December 31, 2002	Increase (Decrease)
Customers:			
Residential	1,340	1,329	17
Commercial	23	24	(1)
School	2	1	1
Total	<u>1,371</u>	<u>1,354</u>	<u>17</u>

Customers increased by seventeen (17) from the prior fiscal year.

**Sugar Land Water Works District
Washington Parish Council
Sugar Land, Louisiana**

Management's Discussion and Analysis

Other Significant Trends and Account Changes (Continued)

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal year ending December 31, 2003, and 2002.

	Year Ended December 31, 2003	Year Ended December 31, 2002	Increase (Decrease)
0 - 30 Days Past Due	\$ 22,246	\$ 22,387	\$ (141)
31 - 60 Days Past Due	5,105	4,382	723
61 - 90 Days Past Due	1,837	589	1,248
Over 90 Days Past Due	791	158	633
Total Accounts Receivable for Water (Before Allowance for Bad Debt)	\$ 29,979	\$ 27,607	\$ 2,372

Total receivables for the water district increased by \$1,416 from the period of December 31, 2002, to December 31, 2003, with increases in all categories except 70-90 days past due.

Capital Assets

At the end of the fiscal year ending December 31, 2003, Sugar Land Water Works District had \$1,281,041 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, the District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2003	December 31, 2002	Dollar Change	Percent Change
Land	\$ 38,813	\$ 26,821	\$ 11,992	45.09%
Office Equipment	54,518	51,982	2,536	4.90%
Buildings	7,549	7,549	-	0.00%
Water Distribution System	2,418,531	2,186,451	232,080	10.61%
Construction in Progress	122,936	12,858	110,078	851.12%
Subtotal	2,653,347	2,478,662	174,685	7.09%
Less: Accumulated Depreciation	(1,372,306)	(1,266,200)	(106,107)	8.37%
Net Capital Assets	\$ 1,281,041	\$ 1,212,462	\$ 68,579	5.71%

Purchases of capital assets for fiscal year December 31, 2003 totaled \$115,538 including an increase of \$11,080 in land, an increase of \$24,185 in water system improvements, and an increase of \$18,898 in preliminary costs for a new office building.

**Bogus Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Management's Discussion and Analysis

Long-Term Debt Activity

The primary source of long-term financing for Bogus Lake Water Works District water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS), although cost of the revenue bonds was refunded by a private lending institution as Revenue Refunding Bonds, Series 2000. Interim financing, pending completion of construction, is generally financed by private financial institutions or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2002, range from 4.31% to 5.625%, with initial payment terms for bonds generally at 40 years.

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

	December 31, 2002	December 31, 2001
Total Debt	\$ 1,222,441	\$ 1,065,031
Total Long-Term Debt	1,046,481	1,008,947
Total Net Assets	668,187	690,024
Total Debt to Net Assets Ratio	1.83	1.71
Total Long-Term Debt to Net Assets Ratio	1.56	1.46

Future Economic Plans

The Bogus Lake Water Works District's management approach is conservative. The Board of Commissioners actively monitor revenues and expenses and evaluate the costs of proposed expansion projects. Currently the District is implementing plans for building a new office to better serve customers of the District. The office is to be located at 101 Ralph Drive, Bogalusa, Louisiana.

FINANCIAL STATEMENTS

Bayou Lake Water Works District
Washington Parish Council
Bayoune, Louisiana

Balance Sheet
December 31, 2002 and 2001

Statement A

Assets	<u>2001</u>	<u>2002</u> <i>(Continued)</i>
Current Assets:		
Cash - Operating	\$ 274,992	\$ 274,991
Accounts Receivable (Net)	26,033	17,697
Accrued Billings	13,131	15,440
Due From Other Governments	1,132	1,112
Prepaid Insurance	13,482	28,302
Total Current Assets	<u>339,170</u>	<u>337,542</u>
Restricted Assets:		
Cash - Customer Deposits	5,118	5,698
Cash - RRS Bond Reserve Fund	117,668	119,418
Cash - RRS Depreciation & Contingency Fund	153,608	142,674
Total Restricted Assets	<u>276,394</u>	<u>267,790</u>
Capital Assets:		
Land	38,825	38,825
Office Equipment	54,588	51,582
Buildings	7,549	7,549
Water Distribution System	2,418,351	2,186,431
Constructions in Progress - Building	112,906	12,836
Total Capital Assets	<u>2,633,119</u>	<u>2,497,223</u>
Less: Accumulated Depreciation	-1,312,248	-1,268,293
Net Capital Assets	<u>1,320,871</u>	<u>1,228,930</u>
Total Assets	<u>\$ 1,995,634</u>	<u>\$ 1,841,553</u>

(Continued)

The accompanying notes are an integral part of these statements.

Bayou Lake Water Works District
Washington Parish Council
Bayoune, Louisiana

Statement A

Balance Sheet
December 31, 2003 and 2002

Liabilities and Net Assets	2003	2002
	<u> </u>	<u>(Summary)</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 4,308	\$ 3,991
Assessed Audit Fee	3,408	6,999
Sales Tax Payable	98	1,080
Due to Other Governments	8,309	3,845
Construction - Accounts Payable	81,365	-
Retainage Payable	9,600	-
Accrued BLS (Bond) Interest	2,877	2,267
Current BLS Bond Payable	47,611	45,261
Total Current Liabilities (Payable From Current Assets)	<u>154,186</u>	<u>64,354</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits Payable	13,800	13,200
Total Current Liabilities (Payable From Restricted Assets)	<u>13,800</u>	<u>13,200</u>
Long-Term Liabilities:		
1976 Water Revenue Bonds	325,790	340,348
1977 Water Revenue Bonds	187,023	187,783
1990 Water Revenue Bonds	210,958	218,131
1994 Water Revenue Refunding Bonds	377,704	383,285
Total Long-Term Liabilities	<u>1,041,475</u>	<u>1,129,547</u>
Total Liabilities	<u>1,212,461</u>	<u>1,365,931</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	81,084	78,213
Restricted for Capital Activity and Debt Service	262,187	248,143
Unrestricted	334,816	315,470
Total Net Assets	<u>678,087</u>	<u>641,826</u>
Total Liabilities and Net Assets	<u>\$ 1,890,548</u>	<u>\$ 1,815,957</u>

(Continued)

The accompanying notes are an integral part of these statements.

Bayou Lake Water Works District
Washington Parish Council
Bayoune, Louisiana

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2003 and 2002

Statement B

	2003	2002
	\$	(\$ Amount)
Operating Revenues		
Water Sales	514,398	355,183
Installations	1,810	7,330
Fees	3,911	5,792
Reconnect Fees	2,710	3,150
Billing Fees	-	-
Other	44	190
Total Operating Revenues	522,873	369,645
Operating Expenses		
Accounting Fees	6,320	6,120
Advertising	858	158
Board of Directors	3,040	2,530
Contract Labor	47,182	33,874
Contract Meter Readers	11,889	11,250
Contract Operations & Maintenance	38,712	38,488
Conventions & Seminars	812	332
Depreciation Expense	88,107	81,231
Insurance	33,690	25,164
Maintenance Supplies	17,316	15,881
Membership Dues	150	188
Mowing	1,980	2,810
Office Expense	5,183	4,684
Permits	4,133	3,876
Professional Services	1,217	-
Repairs and Maintenance	8,965	13,244
Telephone	2,067	1,712
Travel	1,186	2,517
Track Expense	3,828	3,243
Utilities	43,118	39,581
Total Operating Expenses	396,662	287,695
Operating Income (Loss)	126,211	81,950

(Continued)

The accompanying notes are an integral part of these statements.

**Bayou Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2000 and 1999**

Statement B

	2000	1999 (Restated)
Nonoperating Revenues (Expenses)		
Interest Income	1,244	7,302
Other Income	4,454	4,319
Bond Interest Expense	-58,294	-51,454
Total Nonoperating Revenues (Expenses)	-52,596	-40,833
Income (Loss) Before Contributions and Prior Period Adjustments		
Prior Period Adjustment	-11,837	21,146
Income (Loss) Before Contributions	-11,837	-4,687
Capital Contributions	-	-
Change in Net Assets	-11,837	-4,687
Net Assets, Beginning of Year	608,024	601,332
Net Assets, End of Year	\$ 596,187	\$ 596,645

(Continued)

The accompanying notes are an integral part of these statements.

**Boyer Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Statement of Cash Flows
Years Ended December 31, 2003 and 2002**

Statement C

	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 345,088	\$ 352,596
Received (Paid) for Water Deposit Fees	608	180
Received (Paid) to Other Governments	4,264	244
Paid for Operations	(208,363)	(197,822)
Net Cash Flows From Operating Activities	<u>139,797</u>	<u>155,637</u>
Cash Flows From Noncapital Financing Activities		
Miscellaneous Income	4,854	4,333
Net Cash Flows From Noncapital Financing Activities	<u>4,854</u>	<u>4,333</u>
Cash Flows From Capital and Related Financing Activities		
Paid for Capital Acquisitions	(44,648)	(5,544)
Paid for Construction Projects	(32,825)	(4,486)
Principal Payments - Long-Term Debt	(41,116)	(39,482)
Interest Payments - Long-Term Debt	(95,844)	(72,118)
Net Cash Flows From Capital and Related Financing Activities	<u>(214,433)</u>	<u>(121,630)</u>
Cash Flows From Investing Activities		
Receipt of Interest and Dividends	3,544	7,303
Net Cash Flows From Investing Activities	<u>3,544</u>	<u>7,303</u>
Net Change in Cash and Cash Equivalents	<u>(71,088)</u>	<u>(71,787)</u>
Cash and Cash Equivalents - Beginning of Year	<u>368,547</u>	<u>440,334</u>
Cash and Cash Equivalents - End of Year	<u>\$ 297,459</u>	<u>\$ 368,547</u>

(Continued)

The accompanying notes are an integral part of these statements.

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

Statement C

**Statement of Cash Flows
Years Ended December 31, 2003 and 2002**

Reconciliation of Operating Income to Net Cash Flows From Operating Activities

Operating Income (Loss)	\$	38,358	\$	82,178
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:				
Depreciation Expense		88,377		85,211
Changes in Assets and Liabilities:				
Decrease (Increase) in Customer Receivables		64		3,013
Increase (Decrease) in Accounts Payable		-4,713		2,012
Increase (Decrease) in Other Operating Net Assets		18,764		-17,087
Net Cash Flows From Operating Activities	\$	<u>138,790</u>	\$	<u>155,817</u>

(Continued)

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Bige Luss Water Works District
Washington Parish Council
Bogalusa, Louisiana

Notes to the Financial Statements
December 31, 2003 and 2002

Introduction

Bige Luss Water Works District was established July 31, 1968, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:1815, describes and defines the boundaries of the water district, and provides for a 3-member governing board of commissioners appointed by the Washington Parish Council. The District serves 1,371 customers as of December 31, 2003. The District's water works are located southwest of the Bogalusa city limits. The system flows east to the St. Tammany Parish boundary and west of the Bogalusa city limits for approximately 13 miles.

Bige Luss Water Works District was then created and constitutes a public corporate 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.

GASB Statement No. 34, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Bige Luss Water Works District is considered a component unit of the Washington Parish Council.

I. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1988, unless these pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**Bayou Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2000 and 2001**

The term *measurement focus* denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of Washington Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 13:2925 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments, however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- Most of the investments are reported at amortized cost.
- The District has investments in one investment pool. The investment pool is LAMP, and the fair value of the position in the pool is the same as the value of the pool shares.
- There is no involuntary participation in an external investment pool.

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

**Notes to the Financial Statements
December 31, 2003 and 2002**

B. Inventories

Purchases of various operating supplies are regarded as expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

C. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

D. 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.

E. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all maintainable fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 - 30 years
Equipment & Furniture	3 - 7 years
Water System	20 - 30 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

At December 31, 2003, the District did not have employees that accumulate or vest benefits.

**Bayou Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2003 and 2002**

J. Long-term Liabilities

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

K. Net Assets

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

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

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Bogus Lake Water Works District
Washington Parish Council
Bogus, Louisiana

Notes to the Financial Statements
December 31, 2003 and 2002

1. Cash and Cash Equivalents

At December 31, 2003, and 2002, the District had cash and cash equivalents (bank balances) totaling as follows:

	December 31, 2003	December 31, 2002
Demand Deposits	\$ 128,914	\$ 117,660
Interest-bearing Demand Deposits	130,979	117,804
Time Deposits	41,824	35,413
LAMP	246,663	246,324
Total Cash and Cash Equivalents	<u>\$ 548,379</u>	<u>\$ 517,199</u>

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

At December 31, 2003, the District had \$392,463 in deposits (collected bank balances). These deposits are secured from risk by \$178,639 of federal deposit insurance and \$213,747 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3).

At December 31, 2002, the District had \$315,631 in deposits (collected bank balances). These deposits are secured from risk by \$193,693 of federal deposit insurance and \$119,938 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 19:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

In accordance with GASB Codification Section 158.183, the investment in LAMP at December 31, 2003, is not categorized in the three risk categories provided by GASB Codification Section 158.184 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 Officers 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

**Bayou Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2003 and 2002**

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 these securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consist of no securities, with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore, LAMP is considered a cash equivalent.

4. Receivables

The following is a summary of receivables at December 31, 2003, and 2002:

	2003	2002
Current	\$ 22,146	\$ 22,187
31 - 60 Past Due	1,189	4,582
61 - 90 Past Due	1,831	349
Over 90 Past Due	771	159
Total	26,137	27,277
Less: Allowance for Un-collectible Accounts	-	-
Net Accounts Receivable	<u>\$ 26,137</u>	<u>\$ 27,277</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be un-collectible. Periodically, the board reviews the aging of receivables and determines the actual amount un-collectible. For board approval, un-collectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2003, and 2002 accrued billings amounts were \$13,121, and \$14,841, respectively.

5. Restricted Assets

Restricted assets were applicable to the following at December 31, 2003, and 2002:

	December 31, 2003	December 31, 2002
Cash-Customer Deposits	\$ 5,510	\$ 5,490
Cash-BUS Bond Reserve	117,088	131,418
Cash-BUS Depreciation and Contingency	110,689	147,874
Total Restricted Assets	<u>\$ 233,287</u>	<u>\$ 284,782</u>

**Regen-Less Water Works (District)
Washington Park& Council
Regulines, Louisiana**

**Notes to the Financial Statements
December 31, 2003 and 2002**

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2003 is as follows:

	Balance December 31, 2002	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2003
Land	\$ 28,025	\$ 18,800	\$ -	\$ 46,825
Office Equipment	11,982	2,548	-	14,530
Buildings	7,349	-	-	7,349
Water Distribution System	2,386,451	24,180	-	2,410,631
Capital Assets in Service	2,405,003	44,648	-	2,449,651
Construction in Progress	12,058	110,890	-	122,948
Total Capital Assets	2,475,843	155,518	-	2,631,361
Less: Accumulated Depreciation	(1,266,101)	(86,177)	-	(1,352,278)
Net Capital Assets	<u>\$ 1,211,840</u>	<u>\$ 69,341</u>	<u>\$ -</u>	<u>\$ 1,281,181</u>

During the fiscal year ending December 31, 2003 additional construction expenses totaling \$110,890 were incurred by the District, bringing the total construction in progress for the new office building to \$122,926. An additional \$4,648 was incurred for land, office equipment and water systems. There were no interest costs incurred during construction.

Equipment, furniture, and fixtures are depreciated using the useful lives of 3 to 10 years, and the water distribution system using a useful life of 20 to 30 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2003, totaled \$86,177.

**Bayou Lake Water Works District
Washington Parish Council
Bayoune, Louisiana**

**Notes to the Financial Statements
December 31, 2002 and 2001**

5. Long-term Debt

The following is a summary of the long-term liability transactions during the fiscal year ending December 31, 2002:

Description	Long-Term Liabilities Beginning of Year	Additions	Deletions	Long-Term Liabilities End of Year	Due Within One Year
1976 Water Revenue Bonds	\$ 262,983	\$ -	\$ (13,603)	\$ 249,380	\$ 21,606
1977 Water Revenue Bonds	222,983	-	(19,740)	203,243	18,210
1990 Water Revenue Bonds	281,998	-	(3,844)	278,154	4,999
1998 Water Revenue Bonds	186,994	-	(4,388)	182,506	4,900
Total	\$ 1,133,628	\$ -	\$ (41,738)	\$ 1,091,890	\$ 49,415

Bonds Payable at December 31, 2002 and 2001 comprise the following issues:

	December 31, 2001	December 31, 2002
Water System Revenue Bonds - RUS Bonds 71-01: \$248,000 revenue bonds sold to Rural Utility Service, dated 04/28/76, due in monthly installments of \$2,176.00 through 04/20/96; interest at 1.0%	\$ 249,380	\$ 262,983
Water System Revenue Bonds - RUS Bonds 71-02: \$428,000 revenue bonds sold to Rural Utility Service, dated 09/28/77, due in monthly installments of \$2,187.00 through 08/28/97; interest at 2.0%	203,243	222,983
Water System Revenue Bonds - RUS Bonds 71-03: \$290,000 revenue bonds sold to Rural Utility Service, dated 01/08/79, due in monthly installments of \$1,342.00 through 04/08/91; interest at 3.622%	278,154	281,998
Water System Revenue Bonds - RUS Bonds 71-04: \$480,000 revenue bonds sold to Rural Utility Service, dated 12/09/98, due in monthly installments of \$1,888.00 through 12/09/98; interest at 4.15%	182,506	186,994
Total Bonds Payable	\$ 1,091,892	\$ 1,133,628

**Engle Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2003 and 2002**

The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest payments of \$1,023,693 are as follows:

Year Ending December 31,	1978 Water Revenue Bonds \$348,000	1977 Water Revenue Bonds \$420,000	1993 Water Revenue Bonds \$290,000	1998 Water Revenue Bonds \$405,000	Total
2004	\$ 34,512	\$ 38,004	\$ 18,504	\$ 23,560	\$ 114,580
2005	34,512	38,004	18,504	23,560	131,580
2006	34,512	38,004	18,504	23,560	148,580
2007	34,512	38,004	18,504	23,560	165,580
2008	34,512	26,804	18,504	23,560	164,380
2009-2013	172,368	178,020	92,520	112,800	555,708
2014-2018	80,378	97,513	92,520	112,800	383,211
2019-2023	-	-	92,520	112,800	205,320
2024-2028	-	-	92,520	112,800	205,320
2029-2033	-	-	80,384	112,800	193,184
2034-2038	-	-	-	112,800	112,800
-	-	-	-	-	-
Totals	\$ 415,648	\$ 491,331	\$ 442,784	\$ 785,600	\$ 2,135,363

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

**Notes to the Financial Statements
December 31, 2003 and 2002**

8. Flow of Funds, Restrictions on Use

The voters of the Bogalusa Water Works District approved the issuance of \$340,000 and \$420,000 of the utility revenue bonds in elections held November 10, 1976, and March 5, 1977. The governing authority of the District adopted a resolution on February 23, 1976, authorizing issuance of \$340,000 of the utility revenue bonds - 1976 Series. On April 20, 1976, the District sold the \$340,000 authorized bonds to BLS. 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 BLS, also. Both bond issues were issued, for a term of forty years, payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof, at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds were restricted to use for construction and improvements to the District's water system and are subject to the provisions of the resolutions adopted above. The 1976 issue of \$340,000 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 20, 1982, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$250,000 of revenue bonds for the purpose of extending and improving the existing waterworks system. On June 27, 1983, \$250,000 of the bonds were sold to BLS 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, BLS 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 \$14,900 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 \$58,187. 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.

On July 9, 1992, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$298,000 of revenue bonds for the purpose of extending and improving the existing water works system. On March 8, 1993, \$298,000 of the bonds were sold to BLS under the same basic terms and conditions as the original 1976 and 1977 issues. The bonds were issued at par for 40 years with interest at 5.625%.

On October 8, 1998, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$400,000 of revenue bonds for the purpose of extending and improving the existing water works system. On December 9, 1998, \$400,000 of the bonds was sold to BLS under the same basic terms and conditions as the original 1976 and 1977 issues. The bonds will be issued at par for 40 years with interest at 4.3125%.

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.

**Bogus Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Notes to the Financial Statements
December 31, 2003 and 2002**

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 respectively 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. 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 and there is accumulated therein an amount equal to the highest annual debt service payment in any future year. After the Bond Reserve Fund is fully funded, the required monthly deposit equal to 3% of the monthly bond payment is to be deposited into the Depreciation and Contingency Fund. As of December 31, 2003, the District maintained a balance of \$17,868, exceeding the required deposit for the Bond Reserve Fund. The current maximum deposit requirement, equal to the highest annual debt service in any future year/total \$101,280. Such amounts may be used only for the payment of maturing bonds and interest expenses for which sufficient funds are not so deposit in the Bond and Interest Sinking Fund so to which there would otherwise be default.

The monthly deposit requirement for the "Depreciation and Contingency Fund" is equal to 3% of the monthly bond payment and is to continue for the term of the bonds. In addition, at the point that the "Utility System Revenue Bond Reserve Fund" is fully funded, an amount equal to the highest annual debt service payment in any future year, the required monthly "Utility System Revenue Bond Reserve Fund Payment" is to be made to the Depreciation and Contingency Fund." As noted, the "Utility System Revenue Bond Reserve Fund" is fully funded, increasing the monthly deposit requirement for the "Depreciation and Contingency Fund" to \$347 per month, at an amount equal to 3.6% of the monthly bond payment.

For the fiscal year ended December 31, 2003, the "Depreciation and Contingency Fund" was fully funded with a balance maintained of \$110,489, as compared to balance of \$142,674 at December 31, 2002. Money in this fund will be used for the making of repairs or replacements to the systems, for depreciable capital items, which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operating expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds.

All the revenues received in any year and not required to be paid in each year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

9. Restricted and Designated Net Assets

At December 31, 2003, Bogus Lake Water Works District recorded \$162,387 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for water deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to those restricted funds. A liability release to

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

**Notes to the Financial Statements
December 31, 2003 and 2002**

restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Prior Period Adjustments

Price period adjustments were made to correct the beginning Net Asset balance. The adjustments were made to correct the account for credit fees for the prior fiscal year ending December 31, 2002. The correction to the beginning Net Asset balance is as follows:

Date	Description	Amount
12/31/03	Net Asset Balance, Before Prior Period Adjustment	\$ 648,924
	Price Period Adjustments:	
12/31/02	-Correcting Auditing Fee	(5,500)
12/31/03	Net Assets Balance, After Price Period Adjustment	<u>\$ 643,424</u>

11. Litigation Claims

There are no pending litigation as of December 31, 2003, although Bogus Lusa Water Works District has been involved in continuing negotiations, with the assistance of the Tulane Law Clinic, with the Calpine power generating plant. Initial negotiations involved proposed settlements by the Calpine plant to compensate the District for the possible effect on the aquifer for Calpine's water usage. The District is now in settlement negotiations with Calpine and is seeking an out-of-court settlement.

12. Intergovernmental Agreement

The Bogus Lusa Water Works District entered into a service agreement with the Varnado Waterworks District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for the Bogus 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 Bogus Lusa Water Works District will be billed monthly at five times the employee's hourly rate. All materials, parts and supplies will be paid directly by the District, which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the Bogus Lusa Waterworks District thirty-five cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, as each District pays its portion of the actual costs.

SUPPLEMENTAL INFORMATION

**Bigge Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

Schedule 1

**Budgetary Comparison Schedule
Year Ended December 31, 2005**

(With Comparative Amount for the Fiscal Year Ended December 31, 2004)

	2005	2004	Variance-	2005
	Budget	Actual	Favorable	(Unfavorable)
Operating Revenues				
Water Sales	\$ 337,000	\$ 334,350	\$ -2,650	\$ 331,700
Installations	4,300	3,500	-800	7,200
Fees/Chgs	3,000	3,021	121	3,700
Business Fees	2,000	2,710	-690	3,000
Billing/Fees	-	-	-	-
Other	100	44	-56	100
Total Operating Revenues	<u>346,400</u>	<u>367,624</u>	<u>-2,176</u>	<u>366,600</u>
Operating Expenses				
Accounting Fees	11,000	6,328	4,672	6,328
Advertising	600	680	-80	100
Board of Directors	1,000	1,000	-	1,000
Contract Labor	41,000	41,382	-382	31,814
Contract Meter Reader	11,800	11,880	-80	11,233
Contract Operations & Maintenance	28,500	28,712	-212	28,400
Construction & Contract	1,000	812	188	100
Depreciation Expense	81,000	86,237	-5,237	81,000
Insurance	22,000	22,890	-890	21,200
Maintenance Supplies	20,000	17,700	2,300	15,500
Membership Dues	200	150	50	100
Moving	1,000	1,000	-	1,000
Office Expense	2,400	2,100	300	6,600
Permits	6,500	6,343	157	1,800
Professional Services	800	1,257	-457	-
Repairs and Maintenance	10,000	8,966	1,034	11,244
Telephone	1,100	1,007	93	1,712
Taxes	1,700	1,280	420	1,217
Truck Expense	4,200	3,800	400	3,243
Utilities	60,000	41,100	18,900	30,000
Total Operating Expenses	<u>333,000</u>	<u>359,612</u>	<u>-2,612</u>	<u>287,000</u>
Operating Income	<u>13,400</u>	<u>10,012</u>	<u>3,388</u>	<u>79,600</u>

(Continued)

The accompanying notes are an integral part of these statements.

Bayou Lake Water Works District
Washington Parish Council
Bayoune, Louisiana

Schedule J

Budgetary Comparison Schedule
Year Ended December 31, 2002

(With Comparative Amounts for the Fiscal Year Ended December 31, 2001)

	2001 Budget	2002 Actual	Variance- Favorable (Unfavorable)	2002 (Revised) Actual
Nonoperating Revenues (Expenses)				
Interest Income	3,200	3,344	144	3,302
Other Income	4,500	4,454	-46	4,330
Bond Interest Expense	-73,000	-55,856	17,144	-73,056
Total Non-Operating Revenue (Exp)	<u>-65,200</u>	<u>-58,368</u>	<u>6,832</u>	<u>-69,824</u>
Income (Loss) Before Contributions and Prior Period Adjustments	<u>-28,340</u>	<u>-11,837</u>	<u>16,503</u>	<u>21,346</u>
Prior Period Adjustment	-	-	-	-6,508
Income (Loss) Before Contributions	<u>-28,340</u>	<u>-11,837</u>	<u>16,503</u>	<u>14,838</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>-28,340</u>	<u>-11,837</u>	<u>16,503</u>	<u>14,838</u>
Net Assets, Beginning of Year	<u>685,378</u>	<u>685,024</u>	<u>354</u>	<u>685,378</u>
Net Assets, End of Year	<u>\$ 657,038</u>	<u>\$ 673,187</u>	<u>\$ 16,149</u>	<u>\$ 680,216</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Engle Lake Water Works District
Washington Parish Council
Engle, Louisiana**

Schedule 2

**Schedule of Insurance Coverage
December 31, 2000**

Insurance Company	Coverage	Coverage Amount	Period
CNA Surety Company Policy # 02140482	Fidelity Bond President	\$100,000	01/06/93 - 07/06/94
	Secretary-Treasurer	100,000	
	Office Manager	100,000	
	Clerk	25,000	
Columbia Casualty Company Policy # 221404701	Errors & Omissions; Any One Claim	\$500,000	10/16/93 - 10/16/94
	Aggregate	200,000	
	Deductible	2,500	
Lexington Insurance Company Policy # 4580270	Commercial General Liability; General Aggregate	\$1,000,000	10/16/93 - 10/16/94
	Each Occurrence	1,000,000	
	Products/Completed Ops.	1,000,000	
	Personal & Advertising Injury	1,000,000	
	Fire Damage	50,000	
Lafayette Insurance Company Policy # 78-202-142	Commercial Property; Business Personal Property	\$ 3,000	10/16/93 - 10/16/94
	Boiler & Machinery; Wells, Tanks, Pumping	\$ 350,000	09/11/93 - 09/11/94

The District does not carry workman's compensation insurance or fire and extended coverage insurance. The District is of the opinion that the management contract with the Varadero Waterworks District indemnifies them against workman's compensation claims through the contract manager's policies. See Footnote (1). The District is of the opinion that the District's limited exposure does not justify carrying insurance for fire and extended coverage.

**Biogen-Loma Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Schedule of Compensation Paid Board of Commissioners
December 31, 2003**

Schedule 3

<u>Board of Commissioners</u>	<u>Fee Class Payments</u>	<u>Term of Office</u>
Malvia Martin, President 2675 S. Columbia Rd. Bogalusa, LA 70427 (985) 733-1584	3	61/01/00 to 12/31/04
Harwood Stewart, Secretary 11179 Pine Ridge Rd Bogalusa, LA 70427 (985) 733-6424	440	01/01/99 to 12/31/00
Lee Minkensides, Vice-President 18180 Walk Rd. Bogalusa, LA 70427 (985) 733-4888	358	12/31/02
Jim Wills, Commissioner 29081 LA Hwy 1074 Bogalusa, LA 70427 (985) 733-3040	400	01/01/92 to 12/31/08
Jean Douglas, Commissioner 28418 Hwy 68 Bogalusa, LA 70427 (985) 733-0256	600	01/01/01 to 12/31/05
	<u>3</u>	<u>1,248</u>

Bayou Lake Water Works District
Washington Parish Council
Bayoune, Louisiana

Schedule 4

Schedule of Water Customers
December 31, 2000

As of December 31, 2000, the water district had the following number of customers.

Residential	1,348
Commercial	25
School	2
Total Customers	<u>1,375</u>

Schedule of Water Rates
December 31, 2000

<u>Usage</u>	<u>Monthly Charge</u>
Residential:	
First 2,000 gallons	\$10.00
Next 5,000 gallons	1.00/thousand gallons
Over 10,000 gallons	1.00/thousand gallons
Commercial:	
First 15,000 gallons	\$33.00
All over 15,000 gallons	1.50/thousand gallons

**SUMMARY OF PRIOR YEAR FINDINGS
AND
MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Boyer Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2003**

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

No Prior-Year Findings for Section I.

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

No Findings for Section II.

Section III - Management Letters:

No Findings for Section III.

**Bigeun Lake Water Works District
Washington Parish Council
Bogalusa, Louisiana**

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2003**

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

No Findings for Section I.

**Report on Compliance
And
Internal Control**

WILLIAM R. DURDEN

Certified Public Accountant

300 117th AVENUE
FRANKLINTON, LOUISIANA 70408
504-936-4413
F.A.O. 000008-4400

MEMBER
A.I.C.P.A.

MEMBER
C.P.A.

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

Washington Parish Council
Board of Commissioners
Bogus Lake Water Works District
Bogus Lake, Louisiana

I have audited the financial statements of the Bogus Lake Water Works District (a component unit of the Washington Parish Council) of and for the year ended December 31, 2003, and have issued my report thereon dated May 21, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bogus Lake Water Works District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, which noncompliance with could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of 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 my audit, I considered Bogus Lake Water Works District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness.

Board of Commissioners
Bogus Lake Water Works District
Page 2

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, if amounts that could 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners of the Bogus Lake Water Works District, the Washington Parish Council, the State of Louisiana Legislative Auditor, and the U. S. Rural Utility Service office. However, this report is a matter of public record, and its distribution is not limited.



William R. Dunbar
Certified Public Accountant

May 27, 2004