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## CITY OF BOGALUSA, LOUISIANA

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*Primary Government Financial Statements,  
Independent Auditor's Reports, and  
Supplemental Information*

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*Year Ended December 31, 2003*

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Under provisions that make this report a public document, access of the report has been granted to all entities and other appropriate public officials. The reports are 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

**RICHARD M. SEAL**

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED GOVERNMENT FINANCIAL MANAGER

CITY OF BOGALUSA, LOUISIANA

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INFORMATION (PART I)**

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**CITY OF BOGALUSA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF BOGALUSA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2004**

The Management Discussion and Analysis (MD&A) offers the readers of the City of Bogalusa's financial statements this narrative overview of the financial activities of the City of Bogalusa for the fiscal year ended December 31, 2003. The City's financial performance is discussed and analyzed in correlation with the accompanying statements and disclosures following this section.

This financial report has been prepared for the first time under the new Governmental Accounting Standards Board (GASB 34) requirements. The new reporting model has significantly changed in the presentation of financial data. Because of this, the discussion and analysis of prior year comparison financial data is not available at this time.

The reader is urged to continue on past the MD&A and review other important sections of this financial report, including footnotes and other Required Supplemental Information (RSI).

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Bogalusa exceeded its liabilities at the close of 2003 by \$29.6 million (total net assets). Unrestricted net assets are a deficit of \$3.0 million. This is the result of the City's financing of long-term debt on pension obligations as they become due rather than as they are incurred.
- During the year, expenses for governmental activities amounted to \$10.5 million. These expenses were paid from the proceeds of \$2.4 million generated from taxes and \$2.3 million generated from other revenues for governmental programs and \$1.1 million generated from transfers from business-type activities.
- In the City's business-type activities, expenses amounted to \$2.5 million. These expenses were paid from the proceeds of \$2.7 million in service charges and other program revenues.
- At the close of the fiscal year, the City of Bogalusa's governmental funds reported combined ending fund balances of \$6.0 million. Business-type funds reported \$3.3 million in retained earnings for the close of the fiscal year, an increase of \$399,047 to prior year retained earnings.
- The general fund reported a surplus fund balance of \$70,851 for the fiscal year, from which \$23,549 is unrestricted for use in meeting the City's ongoing obligations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

### **Government-wide Statements**

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City's assets and liabilities using the accrual bases of accounting, which is similar to the accounting used by private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event that gives rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

### **Fund Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as balances of available resources that can be used to meet the City's ongoing obligations at the close of the year. Such information may be useful in evaluating the City's near-term financing requirements.

The City uses fifteen governmental funds. There are two major funds, which have separately presented information in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, and the Industrial Park Development Fund. The thirteen non-major funds are presented in the aggregate in the governmental fund financial statements. The individual fund financial information is presented in the combining statements found in Supplemental Information.

The City has one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Utility System Fund. The statement is presented with one major "Operating Fund" which is funded from operating and non-operating revenues. Other Enterprise Funds are also presented as non-major in the aggregate alongside the major Operating Fund. Individual fund financial information is presented in the combining statements found in Supplemental Information.

*Fiduciary fund statements provide financial information on funds for which the City acts as a trustee or agent for the benefit of others, such as the City employee retirement system. (See Retirement System and Subsidiary MDMA following this section).*

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information (Budgetary Comparison Schedule), as well as supplemental information presented in the form of combining statements of individual fund financial information.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSES**

The City reported combined net assets at the end of the fiscal year in the amount of \$29,648,263 as follows:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,537,224	\$ 1,463,476	\$ 9,880,700
Capital Assets	<u>17,021,274</u>	<u>20,324,433</u>	<u>37,345,713</u>
<b>Total Assets</b>	<b>25,558,498</b>	<b>21,787,913</b>	<b>47,346,413</b>
Long-term debt outstanding	8,602,567	6,418,883	15,021,450
Other liabilities	<u>2,038,626</u>	<u>414,974</u>	<u>2,454,599</u>
<b>Total Liabilities</b>	<b>10,642,193</b>	<b>6,833,856</b>	<b>17,476,049</b>
<b>Net Assets</b>			
Investment in capital assets,			
Net of related debt	11,592,224	14,324,433	25,916,760
Restricted	5,802,514	966,915	6,769,429
Unrestricted	<u>(2,708,532)</u>	<u>(513,295)</u>	<u>(3,045,827)</u>
<b>Total net assets</b>	<b>\$ 14,686,206</b>	<b>\$ 14,954,057</b>	<b>\$29,648,263</b>

The largest portion of the City of Bogalusa's net assets (87%) reflects investment in capital assets (e.g. land, buildings, improvements, streets, bridges, equipment, vehicles, utility systems, and furniture and fixtures), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Bogalusa's net assets (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets represents a deficit due to debt obligations on pension systems.

### Changes in net assets

The City's total revenue and expenses for governmental and business-type activities are reflected in the following chart:

#### Changes in Net Assets For the Year Ended December 31, 2003

	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Changes for Services	\$ 927,092	\$ 2,634,987	\$ 3,562,079
Operating Grants & Contributions	436,657	-	436,657
Capital Grants & Contributions	363,294	21,322	384,616
<b>General Revenues:</b>			
Property Taxes	2,381,465	136,173	2,517,638
Sales Taxes	5,030,110	684,738	5,714,848
Franchise Fees	383,117	-	383,117
Unrestricted Interest	24,617	23,250	47,867
Miscellaneous	93,699	-	93,699
Transfers	1,088,433	(1,089,433)	79,999
<b>Total Revenues</b>	<b>19,731,844</b>	<b>2,413,417</b>	<b>13,175,260</b>
<b>Expenses:</b>			
General Government	2,988,464	-	2,988,464
Public Safety	3,792,295	-	3,792,295
Public Works	2,308,676	-	2,308,676
Landfill	373,389	-	373,389
Culture & Recreation	83,135	-	83,135
Economic Development	414,657	-	414,657
Airport	194,804	-	194,804
Interest on Long Term Debt	315,762	-	315,762
Water, Sewer, & Garbage	-	2,482,132	2,482,132
<b>Total Expenses</b>	<b>\$ 16,475,185</b>	<b>\$ 2,482,132</b>	<b>\$ 13,857,317</b>
<b>Change in Net Assets</b>	<b>256,659</b>	<b>(68,715)</b>	<b>217,944</b>
<b>Net Assets Beginning</b>	<b>14,429,647</b>	<b>15,032,772</b>	<b>29,462,419</b>
<b>Net Assets Ending</b>	<b>\$ 14,686,306</b>	<b>\$ 14,964,057</b>	<b>\$ 29,650,362</b>

The City's net assets in governmental activities increased by \$256,659, while a decrease of \$68,715 occurred in business-type activities. Depreciation expense is the cause for the decrease.

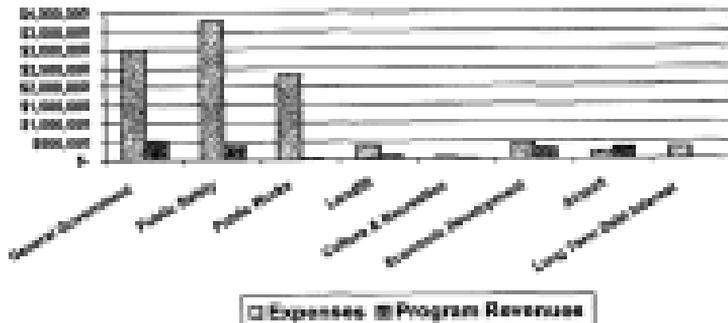
### Revenues by Source - Governmental Activities



Revenues for the City's governmental activities for the year ended December 31, 2000 were \$30,731,844. General revenues, specifically sales taxes and property taxes, are the largest components of revenues (69%). Sales taxes represent 47% of revenues at \$5,036,116. Sales taxes, which have been declining over the past several years, were recorded at a 3.7% decrease compared with 2002. A change in management strategy by one of the City's larger industrial companies is the largest factor in the City's reduced sales tax collections. Property taxes (\$2,383,485) remain stable at this time.

The cost of all governmental activities in 2003 was \$10,475,183. These costs were covered by the sources of revenue as outlined above. The amounts are found in the Statement of Activities. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions.

### Expenses and Program Revenues - Governmental Activities



The graph above shows the City's seven major programs, as well as debt on long-term interest, compared to program revenues covering expenses. General revenues of course cover the remaining costs.

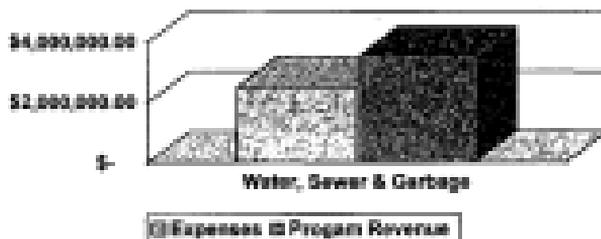
The following graph indicates business-type activities revenues by source:

### Revenues by Source - Business-type Activities



User fees are by far the largest source of revenue (75%) for the City's utility system. Sales tax revenue (20%) is largely dedicated to the payment of long-term debt incurred on the sewer system upgrade in prior years. The City's utility system business-type activities are related to water, sewer, and garbage activities. In August of 2000, the City increased its water rates to a \$10 minimum per customer. The City's financial ability to meet its obligations has increased substantially as a result of this action.

### Expenses and Program Revenues - Business-type Activities



The above graph reveals that the utility system fully supports itself. Of the revenues generated from the utility system, the City was able to use \$1.1 million in transfers from the business-type activities to the governmental activities.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended December 31, 2003, the City reported combined fund balances in governmental funds of \$6 million. The General Fund reported a surplus fund balance of \$70,852, of which \$23,538 is unencumbered as to its use. The largest fund balance (\$3 million) is reported in the Industrial Park Complex Sales Tax Fund. Other governmental funds report aggregate unrestricted fund balances of \$1.4 million. For debt service, the City has \$1.5 million restricted in fund balances. Once again, comparative analysis will be available after the 2004 audited financial statements are completed next year.

Proprietary Funds reported an increase in retained earnings of \$299,047. Net income from operations reports a \$68,715 deficit. However, this is largely the result of \$346,264 charged to depreciation expense. Depreciation expense is a non-cash entry.

### General Fund Budgetary Highlights

During the fiscal year, the City Council revised the budget for the following reasons:

- Amendments to reflect actual account balances from prior year audited financial statements.
- Increase in pension contribution expense for firemen and policemen.
- Increase in appropriations to prevent budget overruns.

The General Fund ended the year with \$19 in excess revenues. Property taxes did not come in as budgeted due to a \$4 million reduction adjustment in assessed property valuation given to one of the City's large industrial companies. This adjustment did not, however, affect actual collections for prior year comparison purposes. Sales taxes were reported on target with projections.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2003, the City had invested \$37 million in a broad range of capital assets, including police and fire equipment, buildings, and park facilities. The following table represents capital assets as reported for 2003:

	Governmental Activities	Business-type Activities
Land	\$ 804,217	\$ -
Buildings	9,459,345	2,480,649
Equipment	902,632	29,073
Infrastructure	3,827,944	4,781,065
Construction in Progress	20,117	-
Improvements	-	13,194,264
Total	<u>\$ 17,021,273</u>	<u>\$ 20,335,051</u>

In governmental activities the City reported \$378,074 in increases to assets and \$225,141 decreases in assets for a net increase of \$143,933. In business-type activities the City reported \$13,617,551 in increases to assets and \$13,328,580 decrease to assets for a net increase of \$288,971.

### **Long-term Debt**

At the end of the year 2003, the City had \$6.4 million in bonds and pension obligations outstanding, all of which are backed by the full faith and credit of the City of Bogalusa.

The City had \$6 million in revenue bonds and certificates of indebtedness in its proprietary fund for the utility system, all of which are backed by the full faith and credit of the City of Bogalusa.

No new long-term debt was incurred in 2003.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The unemployment rate for this area is currently 8.5% (statistics received from Louisiana Labor Department through March, 2004). The state unemployment rate is currently 5.3% for the same period, making this area one of the highest in the state. The location here of a major business facility over the next year is now pending and could significantly lower the unemployment rate, as well as pump new tax revenues into the local economy.

The budget for 2005, once again, will be increased to cover costs associated with annual 2% mandated salary increase. In addition, pension contributions will escalate 3-10% above current contributions.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions concerning this report or need additional financial information, contact the City of Bogalusa's Administrative offices located in City Hall at 201 Arkansas Avenue, Bogalusa, LA 70427.

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**CITY OF BOGALUSA  
RETIREMENT SYSTEM AND SUBSIDIARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF BOGALUSA  
RETIREMENT SYSTEM AND SUBSIDIARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

The Management's Discussion and Analysis of the City of Bogalusa Retirement System's financial performance presents a narrative overview and analysis of the City of Bogalusa's Retirement System's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities resulting changes over the known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the City of Bogalusa Retirement System's financial statements.

**FINANCIAL HIGHLIGHTS**

- The City of Bogalusa Retirement System's assets exceeded its liabilities at the close of fiscal year 2003 by \$7,465,356, which represents a decrease from last fiscal year. The net assets held in trust for pension benefits decreased by \$126,961, or .1672%. The decrease was due primarily to a decrease in contributions, and increase in benefits paid and to the performance in the markets.
- Contributions to the plan by members and employers totaled \$326,313, a decrease of \$3,999 or 1.21% over the prior year.
- No change in the fair value of invested assets reflected a net decrease of \$562,146.
- The rate of return on the System's investments was a positive 3.804% based on the market value. This is greater than last year's 2.888% rate of return due, primarily, to the upturn in the markets.
- Pension benefits paid to retirees and beneficiaries increased by \$43,200 or 6.48%. This increase is due to an increase in level of retirement benefits.
- Administrative expenses totaled \$17,614, a decrease of \$2,266 or 11.386%. The cost of administering the system per member during 2003 was \$316.79 per individual compared to \$125.96 per individual in 2002.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- Statement of plan net assets
- Statement of changes in plan net assets, and
- Notes to the financial statements

This report also contains required supplemental information in addition to the basic financial statements themselves.

The statements of plan net assets report the system's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2003 and 2002.

The statement of changes in plan net assets reports the results of the system's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

#### FINANCIAL ANALYSIS OF THE FUND

City of Regalosa Retirement System provides benefits to all eligible municipal employees. Employee contributions and earnings on investments fund these benefits.

	Statement of Plan Net Assets June 30, 2003 and 2002	
	- 2003 -	- 2002 -
Cash and investments	\$7,364,422	\$7,516,450
Receivables	<u>300,884</u>	<u>15,867</u>
Total assets	7,665,306	7,532,317
 Total liabilities	 <u>        (50)</u>	 <u>        0</u>
 Net Assets Held in Trust For Pension Benefits	 <u>\$7,665,356</u>	 <u>\$7,532,317</u>

Plan net assets decreased by 1.671% (\$7,665,356 compared to \$7,532,317). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The decrease in plan net assets was a result of the decrease in the value of investments due to an increase in cash and an increase in the amount of benefits being paid.

	Statement of Changes in Plan Net Assets For the Year Ended June 30, 2003 and 2002	
	- 2003 -	- 2002 -
Additions:		
Contributions	\$261,213	\$332,912
Investment Income	281,290	179,185
Other	<u>        0</u>	<u>        0</u>
Total Additions	609,603	491,467
Total Deductions	736,566	711,104
Increase (Decrease) in Plan Net Assets	(126,963)	(219,607)

### Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions decreased \$4,131 or 3.479%, while employer contributions decreased \$1,848 or .808%. The System experienced net investment income of \$283,290 as compared to a net investment income of \$199,185 in the previous year. The increase in investment income was mainly due to the turnaround in world equity markets.

	- 2003 -	- 2002 -	Increase (Decrease) Percentage %
Member Contributions	\$115,171	\$118,322	(3.479%)
Employer Contributions	211,142	212,890	(.808%)
Net Investment Income (Loss)	282,290	199,185	37.335%
Other Operating Revenues	0	0	0%
Total	\$608,603	\$530,497	25.824%

### Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefit and administrative expenses. Deductions from plan net assets totaled \$736,564 in fiscal year 2003. This increase of \$25,480 was due to an increase in retirement benefit payments. The increase in retirement benefit payments is mainly the result of an increase in the level of retirement benefits. The cost of administering the System's benefits per member during 2003 was \$116.79 per individual compared to \$123.98 per individual in 2002.

	- 2003 -	- 2002 -	Increase (Decrease) Percentage %
Retirement Benefits	\$708,402	\$683,202	6.454%
Refunds of Contributions	19,528	28,800	(58.315%)
Administrative Expenses	17,634	19,902	(11.386%)
Other Operating Revenues	0	0	0%
Total	\$736,564	\$731,904	3.584%

### Investments

City of Bogalusa Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefit of their member's pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2003 amounted to \$7,865,906 as compared to \$7,992,317 at June 30, 2002, which is a decrease of \$127,411 or 1.573%. The major contributing factor in this decrease is the increase in amount of benefits being paid. Long

some investments increased due to market performance. The System's investments in various markets at the end of the 2003 and 2002 fiscal years are indicated in the following table:

	- 2003 -	- 2002 -	Increase (Decrease) Percentage %
Cash Equivalents	\$1,166,046	\$1,815,928	17.981%
Bonds	4,757,814	5,363,300	(11.289%)
Mutual Funds	440,562	337,222	30.645%
Receivables	180,284	55,867	80.579%
Total	\$7,485,306	\$7,993,317	1.673%

#### **Requests for Information**

Questions concerning any of the information provided or requests for additional financial information should be addressed to Truman A. Brethaupt, V, Director, City of Bogalusa Retirement System, P. O. Box 740150, New Orleans, LA 70174 (904-393-9114).

# RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED GOVERNMENT FINANCIAL MANAGER

## INDEPENDENT AUDITOR'S REPORT

The Honorable J. M. "Mac" McGehee, Mayor  
and the Members of the City Council  
City of Bogalusa, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, Louisiana, as of and for the year ended December 31, 2003, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Bogalusa's management. My responsibility is to express opinions 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. Those 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 opinions.

The financial statements referred to above include only the primary government of the City of Bogalusa, Louisiana and the City Employees' Retirement System (a component unit of the City of Bogalusa) which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for most of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Bogalusa, Louisiana, as of December 31, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Bogalusa, Louisiana, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and budgetary comparison on pages 2 through 15 and 88 through 89 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bogalusa's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



Certified Public Accountant

Bogalusa, Louisiana  
June 18, 2004

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Net Assets**  
**December 31, 2003**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,575,451	\$ 58,778	\$ 5,634,229
Receivables (net)	2,327,099	408,806	2,735,904
Internal balances	(6,437)	8,437	-
Inventories	47,362		47,362
Restricted cash	20,963	957,498	1,008,461
Net investment in Choctaw Road Landfill	344,876		344,876
Capital assets:			
Land	821,354		821,354
Other capital assets, net of depreciation	16,190,690	26,324,437	36,524,357
<b>Total assets</b>	<b>\$ 25,326,485</b>	<b>\$ 27,707,813</b>	<b>\$ 47,118,411</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,045,777	\$ 414,201	\$ 1,460,028
Other payables	43,649	732	44,381
Certificate of indebtedness	690,000		690,000
Long-term liabilities:			
Portion due within one year	752,334	348,799	1,051,033
Portion due after one year	7,920,332	6,875,664	13,975,417
<b>Total liabilities</b>	<b>10,642,192</b>	<b>8,833,696</b>	<b>17,476,646</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,582,324	14,324,437	25,916,761
Restricted for:			
Debt service	1,481,066	668,913	2,149,979
Other purposes	4,321,569		4,321,569
Unrestricted net assets (deficit)	(2,716,532)	(327,226)	(3,043,627)
<b>Total net assets</b>	<b>\$ 14,668,386</b>	<b>\$ 14,854,923</b>	<b>\$ 29,640,353</b>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended December 31, 2003**

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/DEPARTMENTS</b>							
Primary government							
Governmental activities							
General government	5,080,484	528,307	8,860		(2,459,274)		(2,459,274)
Public safety	3,782,295	58,951	317,658	95,123	(3,401,850)		(3,401,850)
Public works	2,359,679	929	28,297		(2,279,499)		(2,279,499)
Lands	355,389	129,427	11,264		(238,263)		(238,263)
Culture and recreation	85,135	2,347	7,377	11,680	(64,111)		(64,111)
Economic development	414,687	212,729	63,021	79,990	(179,497)		(179,497)
Airport	184,884	8,911	29	378,091	(371,382)		(371,382)
Interest on long-term debt	375,185				(375,185)		(375,185)
Total	30,473,185	827,492	438,827	383,254	(8,747,782)		(8,747,782)
Business-type activities							
Water, sewer, & garbage	2,482,132	2,634,907		25,772		154,977	154,977
Total business-type activities	2,482,132	2,634,907		25,772		154,977	154,977
<b>Total Primary government</b>	<b>33,955,317</b>	<b>13,462,379</b>	<b>438,827</b>	<b>384,026</b>	<b>(8,747,782)</b>	<b>154,977</b>	<b>(8,592,805)</b>

(Continued)  
 The accompanying notes are an integral part of this statement.

CITY OF BOZALUSA, LOUISIANA  
 Statement of Activities  
 For the Year Ended December 31, 2003

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes, levied for general purposes	1,000,001	100,117	1,000,204
Property taxes, levied for debt service	624,004		624,004
Sales taxes	5,000,170	666,738	5,716,848
Fees	385,117		385,117
Unrestricted interest	24,017	23,200	47,247
Miscellaneous	10,000		10,000
Transfers	1,000,420	(1,000,420)	-
Total general revenues	<u>8,064,441</u>	<u>(243,282)</u>	<u>7,821,159</u>
Change in net assets	290,000	(98,716)	191,284
Net assets—beginning	14,420,047	15,000,172	29,420,219
Net assets—ending	<u>\$ 14,680,000</u>	<u>\$ 14,901,456</u>	<u>\$ 29,581,456</u>

(Continued)

The accompanying notes are an integral part of this statement.

**FUND FINANCIAL STATEMENTS (FFS)**

**CITY OF BOGALUSA, LOUISIANA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2003**

	General	Industrial Complex Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Cash	\$ 401,178	\$ 2,676,087	\$ 2,218,751	\$ 5,296,016
Receivables	1,362,157	47,250	887,852	2,307,259
Net investment in Choctaw Road Landfill			50,500	50,500
Due from other funds	208,021		712,128	920,149
Inventory of supplies, at cost	47,302			47,302
<b>Total assets</b>	<b>\$2,066,658</b>	<b>\$ 2,723,337</b>	<b>\$ 3,268,631</b>	<b>\$ 8,058,626</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 605,278	\$ 2,500	\$ 72,848	1,080,626
Refundable payable			38,087	38,087
Due to joint venture			22,890	22,890
Certificates of indebtedness	658,000			658,000
Taxes paid under protest	20,983			20,983
Due to other funds	64,024		260,033	324,057
<b>Total liabilities</b>	<b>1,910,308</b>	<b>2,500</b>	<b>383,858</b>	<b>2,706,726</b>
<b>Fund balances/deficit:</b>				
<b>Reserved</b>				
Cash reserve			1,481,808	1,481,808
Inventory	47,302			47,302
<b>Unreserved</b>				
General fund	29,850			29,850
Special revenue funds		3,078,724	-1,481,725	-1,402,999
<b>Total fund balances</b>	<b>72,852</b>	<b>3,078,724</b>	<b>2,880,733</b>	<b>6,352,299</b>
<b>Total liabilities and fund balances</b>	<b>\$2,642,162</b>	<b>\$ 3,081,224</b>	<b>\$ 3,269,591</b>	<b>\$ 8,993,625</b>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets  
December 31, 2003

Total fund balances reported on the Balance Sheet of Governmental Funds.	\$ 5,973,308
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	17,021,274
The portion of an equity interest in a joint venture that consists of capital assets and long-term debt in governmental activities are not reported in the funds.	294,293
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,602,987)</u>
Total net assets of governmental activities	<u>\$14,686,308</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**

	General Fund	Industrial Complex Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes				
Ad valorem	\$1,624,148	\$	\$ 871,218	\$ 2,501,466
Sales	2,488,064	428,323	2,111,743	5,028,130
Licenses and permits	428,078			428,078
Franchise fees	389,117			389,117
Intergovernmental	571,780		343,890	915,670
Service charges	11,893			11,893
Fines and penalties	47,981			47,981
Interest	7,799	83,021	84,323	120,119
Rent			210,270	210,270
Other	170,668		20,880	190,548
Total revenues	<u>5,798,480</u>	<u>461,344</u>	<u>3,258,995</u>	<u>9,517,819</u>
<b>EXPENDITURES</b>				
Current				
General government	2,219,628		804,090	3,023,718
Public safety	3,549,874			3,549,874
Public works	1,428,488		478,892	1,905,580
Landfill			298,870	298,870
Culture and recreation			40,025	40,025
Economic development		83,021	185,911	268,932
Airport			84,711	84,711
Capital outlay			801,189	801,189
Debt service				
Principal	437,007		437,411	874,418
Interest and fees	61,388		228,858	290,246
Total expenditures	<u>7,211,776</u>	<u>83,021</u>	<u>3,274,219</u>	<u>10,569,016</u>
Excess (deficiency) of revenues over expenditures	(1,915,296)	428,323	483,646	(1,233,298)
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating transfers in	2,112,038		194,018	2,306,056
Operating transfers (out)	(110,284)		(1,068,837)	(1,179,121)
Fourth Ward Grants				-
City Court salary & fringe	(88,821)			(88,821)
Increase in current financial resources of joint ventures			8,982	8,982
Total other financing sources(uses)	<u>(1,075,888)</u>	<u>-</u>	<u>(864,855)</u>	<u>(1,940,743)</u>

(Continued)

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**

	General Fund	Industrial Complex Sales Tax	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	\$ 58	\$ 428,410	\$ (450,288)	\$ (21,800)
Fund balances, beginning	<u>75,815</u>	<u>2,764,305</u>	<u>3,700,028</u>	<u>6,899,148</u>
Fund balances (deficit), ending	<u>\$ 75,873</u>	<u>\$ 3,192,715</u>	<u>\$ 3,249,740</u>	<u>\$ 6,518,328</u>

(Concluded)

The accompanying notes are an integral part of this statement.

CITY OF BOZALUSA, LOUISIANA  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2009

Net change in fund balances—total governmental funds	\$ (21,840)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays (901,130) exceeded depreciation (780,207) in the current period.	140,923
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	664,638
Governmental funds report contributions to Choctaw Road Landfill as expenditures.	39,824
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>1466,895</u>
Change in net assets of governmental activities	<u>\$258,899</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Net Assets**  
**Enterprise Funds**  
**December 31, 2003**

	Operating Fund	Other Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	\$ 43,742	\$ 16,086	\$ 59,828
Receivables, net	278,058	33,747	400,805
Due from other funds	68,947	-	68,947
<b>Total current assets</b>	<u>417,747</u>	<u>52,783</u>	<u>470,530</u>
<b>Noncurrent assets:</b>			
Restricted cash	22,541	965,915	988,456
Capital assets, net	28,329,437	-	28,329,437
<b>Total noncurrent assets</b>	<u>28,351,978</u>	<u>965,915</u>	<u>29,317,893</u>
<b>Total assets</b>	<u>\$29,769,725</u>	<u>\$ 1,018,698</u>	<u>\$31,848,423</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 414,251	\$ -	\$ 414,251
Accrued interest	48,799	-	48,799
Due to other funds	4,063	62,447	66,510
Due to federal government	-	722	722
Bonds, certificate of indebtedness payable	300,000	-	300,000
<b>Total current liabilities</b>	<u>767,113</u>	<u>63,169</u>	<u>830,282</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	\$ 70,595	\$ -	\$ 70,595
Net pension obligation	299,120	-	299,120
Bonds, certificate of indebtedness payable	5,780,000	-	5,780,000
<b>Total noncurrent liabilities</b>	<u>6,070,684</u>	<u>-</u>	<u>6,070,684</u>
<b>Total liabilities</b>	<u>6,637,817</u>	<u>63,169</u>	<u>6,700,986</u>
<b>NET ASSETS</b>			
Contributed capital	11,659,381	-	11,659,381
Reserved for debt service	-	965,915	965,915
Unreserved	2,336,137	1,814	2,337,951
<b>Total net assets</b>	<u>\$13,995,518</u>	<u>\$ 967,729</u>	<u>\$14,963,247</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Enterprise Funds**  
**For the Year Ended December 31, 2003**

	Operating Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES</b>			
User fees	\$ 2,594,817	\$ -	\$2,594,817
Other operating income	50,878	-	50,878
Total operating revenues	<u>2,645,695</u>	<u>-</u>	<u>2,645,695</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	519,489	-	519,489
Littles	182,175	95,808	287,175
Contractual services	591,490	-	591,490
Supplies and materials	30,420	194,891	189,121
Insurance	78,187	-	78,187
Water collection	32,180	-	32,180
Repairs	55,927	-	55,927
Gas and oil	10,888	-	10,888
Depreciation	646,284	-	646,284
Bad debt expense	-	-	-
Pension contributions	147,835	-	147,835
Other	75,159	-	75,159
Capital outlay	2,011	-	2,011
Total operating expenses	<u>2,187,481</u>	<u>249,891</u>	<u>2,447,142</u>
Operating income/(loss)	437,225	(249,891)	187,345
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Ad valorem taxes	136,175	-	136,175
Sales tax	429,487	257,251	686,738
Interest income	2,275	29,867	35,200
Grant income	-	21,722	21,722
Interest expense	(4,180)	-	(4,180)
Agent fees on bonds	(20,890)	-	(20,890)
Total nonoperating revenues/(expenses)	<u>522,947</u>	<u>299,900</u>	<u>822,873</u>
Net income before transfers	970,489	50,249	1,020,718

(Continued)

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Enterprise Funds  
For the Year Ended December 31, 2005

	Operating Fund	Other Enterprise Funds	Total
<b>OPERATING TRANSFERS IN (OUT)</b>			
Employee Pay/Raise/Sales Tax	\$ 87,167	\$	\$ 87,167
Water and Sewer Sales Tax	21,732		21,732
Operating Fund		511,026	511,026
Debt Service Fund	523,559		523,559
General Fund	(1,176,800)		(1,176,800)
Operating Fund		(544,281)	(544,281)
Debt Service Fund	(511,026)		(511,026)
Total operating transfers input	<u>(1,098,178)</u>	<u>(23,255)</u>	<u>(1,098,433)</u>
Net income/(loss)	(65,709)	16,984	(58,716)
Add depreciation on property, plant, and equipment acquired by capital contributions that reduces contributed capital	<u>367,762</u>		<u>367,762</u>
Change in net assets	292,053	16,984	298,947
Total net assets - beginning	<u>2,044,064</u>	<u>551,535</u>	
Total net assets - ending	<u>\$ 2,336,117</u>	<u>\$ 568,519</u>	
Depreciation expense on property, plant and equipment acquired by capital contributions is not added back to income on the statement of activities for business-type activities.			<u>(367,762)</u>
Change in net assets of business-type activities			<u>\$ (68,716)</u>

(Continued)

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA  
Statement of Cash Flows  
Enterprise Funds  
For the Year Ended December 31, 2003

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	2,591,042
Payments to suppliers	(1,953,876)
Payments to employees	(543,187)
Internal activity—payments to other funds	(12,331)
Other receipts (payments)	<u>(131,454)</u>
Net cash provided by operating activities	<u>738,194</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating subsidies and transfers to other funds	<u>(1,283,433)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Advances taxes	703,858
Sales taxes	132,283
Grant income	36,993
Interest income	23,230
Purchases of capital assets	(215,187)
Principal paid on capital debt	(285,000)
Interest paid on capital debt	(6,650)
Other receipts (payments)	<u>(30,800)</u>
Net cash (used) by capital and related financing activities	<u>300,687</u>
Net (decrease) in cash and cash equivalents	(545)
Balance—beginning of the year	<u>1,047,779</u>
Balance—end of the year	<u>\$1,047,234</u>

(Continued)

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA  
 Statement of Cash Flows  
 Enterprise Funds  
 For the Year Ended December 31, 2003

<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 107,945
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	646,294
Change in assets and liabilities:	
Receivables, net	(43,945)
Due from/to other funds	(12,331)
Accounts and other payables	(36,011)
Net Pension Obligation	95,349
Net cash provided by operating activities	<u>\$ 738,191</u>

(Concluded)

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA  
Statement of Plan Net Assets  
City Employees' Retirement System  
Fiduciary Fund  
June 30, 2008

<b>ASSETS</b>	
Cash and cash equivalents	<u>\$2,188,048</u>
Receivables:	
Employer	73,308
Interest	<u>27,576</u>
Total receivables	<u>100,884</u>
Investments at fair market value:	
Equity mutual fund	440,562
Corporate bonds	154,871
U.S. Government obligations	<u>4,632,943</u>
Total investments	<u>5,198,376</u>
Total assets	<u><u>7,485,308</u></u>
<b>LIABILITIES</b>	
Withholding payable	(50)
Total liabilities	<u>(50)</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits and other purposes	<u><u>\$7,485,358</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Statement of Changes in Fiduciary Net Assets**  
**City Employees' Retirement System**  
**Fiduciary Fund**  
**Year Ended June 30, 2003**

**ADDITIONS**

<b>Contributions:</b>	
City of Bogalusa	211,142
Plan members	115,171
Total contributions	<u>326,313</u>
<b>Investment earnings:</b>	
Net appreciation(depreciation) in fair value of investments	55,877
Interest and dividends	227,353
Other income	60
Net investment earnings	<u>283,290</u>
Total additions	<u>609,603</u>

**DEDUCTIONS**

Benefits	708,432
Refunds of contributions	10,536
Administrative expense	17,636
Total deductions	<u>736,604</u>
Change in net assets	(126,981)
Net assets--beginning of year	<u>7,602,317</u>
Net assets--end of year	<u>\$7,475,336</u>

The accompanying notes are an integral part of this statement.

**CITY OF BOGALUSA, LOUISIANA**  
**Notes to the Primary Government Financial Statements**  
**As of and for the Year Ended December 31, 2003**

**INTRODUCTION**

The City of Bogalusa, Louisiana (the City) was incorporated July 4, 1914, and is governed by the provisions of a home rule charter adopted October 22, 1977. The city operates under a "mayor-council" form of government which consists of an elected council representing the legislative branch of the government and an elected mayor heading the executive branch.

The City of Bogalusa City Council is the governing authority for the City of Bogalusa. As the governing authority of the City, for reporting purposes, the City of Bogalusa City Government is the financial reporting entity for the City of Bogalusa. The financial reporting entity consists of the primary government (City government), organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Bogalusa City Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

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

The City has chosen to issue financial statements of the primary government and only one component unit.

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

**Component Unit Included**

**City Employee's Retirement System (CERS)** - CERS is a legally separate organization, but is fiscally dependent upon the City. It meets the definition of a component unit, but is not reported as a component unit because there is an exception to the rule for fiduciary pension plans. Therefore, the pension plan are blended into the general-purpose financial statements in the Fiduciary Fund Type column.

**Component Units Omitted**

**City Court of Bogalusa (the Court)** - The City Court of Bogalusa is a court of limited jurisdiction and serves Ward 4 of Washington Parish, Louisiana. Although the City Court Judge is an independently elected official, the Court is considered a component unit of the City because of fiscal dependence. The City provides the courtroom and office space for the Court. The City also pays salaries and retirement for the Court's secretaries.

**Constable of City Court of Bogalusa (the Constable)** - The office of Constable of City Court of Bogalusa was created by special legislative act R.S. 13:1952(5). The Constable is an elected official, and is responsible for executing the orders and mandates of the City Court of Bogalusa. The Constable is also fiscally dependent on the City and considered a component unit.

**Christmas in the Park Commission (the Commission)** - The Commission was created on November 1, 1995 by Ordinance No. 1568. The Commission is governed by an 11 member board appointed by the Mayor, with approval of the City Council. The Commission advises the Mayor and the City Council, stimulates public interest and accepts donations to enhance holiday lighting and activities.

**Bogalusa Community Arena Commission (the Commission)** - The Bogalusa Community Arena Commission is governed by an eleven-member board appointed by the Mayor with approval of the Council. The Commission was established by Ordinance No. 1607 dated June 21, 1995 and amended on December 20, 1995 by Ordinance No. 1623. Although it is legally separate from the City, the Commission is reported as if it were part of the primary government because the City maintains the accounting records, and the financial statements of the Commission are not material to the financial statements of the City.

## **CITY OF BOGALUSA, LOUISIANA**

### **Notes to the Primary Government Financial Statements (continued)**

**Bogalusa Parks and Recreation Commission (the Commission)** - The Bogalusa Parks and Recreation Commission is governed by a seventeen-member board appointed by the Mayor with the approval of the Council. The Commission was established by Ordinance No. 824 dated March 6, 1973. Although it is legally separate from the City, the Commission is reported as if it were part of the primary government because the City maintains the accounting records, and the financial statements of the Commission are not material to the financial statements of the City.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

#### **Administrative Offices**

City Court of Bogalusa  
202 Arkansas Avenue  
Bogalusa, LA 70427

Constable of City Court of Bogalusa  
202 Arkansas Avenue  
Bogalusa, LA 70427

Mr. Jerry Bailey  
Director of Administration  
City of Bogalusa, Louisiana  
Post Office Box 1179  
Bogalusa, LA 70429-1179

Primary government officials may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as (a) related organizations and (b) joint ventures, as follows:

#### **Related Organizations**

**Housing Authority of Bogalusa** - The Mayor, with confirmation of the City Council, appoints all five Commissioners of the Housing Authority of Bogalusa. However, no further contact or influence exists. Therefore, it is not included in the City's financial statements.

**Washington Economic Development Foundation, Inc.** - The Mayor appoints one member and the City Council appoints two members of the thirty member Board of Directors of Washington Economic Development

## CITY OF BOGALUSA, LOUISIANA

### Notes to the Primary Government Financial Statements (continued)

Foundation, Inc., which is a non-profit corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, no further control or influence exists. Therefore, it is not included in the City's financial statements.

#### Joint Ventures

**Choctaw Road Landfill (the Joint Venture)** - The City is a participant with the Washington Parish Government (the Government) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1999. The agreed upon percentages for sharing of construction costs and operating losses were 58.1% for the Government and 41.9% for the City. The Government's share of costs has been funded by a dedicated one percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs has been funded by an ad valorem tax and the issuance of general obligation bonds. Complete financial statements for the Joint Venture can be obtained from the Washington Parish Government at the parish courthouse in Franklinton, LA.

**Washington Parish Drug Task Force (the Task Force)** - The City, together with the Washington Parish Sheriff, comprise the Washington Parish Drug Task Force, which was created to combat drug problems in their joint jurisdictions. The operations of the Task Force are funded by federal grants from the United States Department of Justice through the Louisiana Commission on Law Enforcement and Administration of Criminal Justice, together with contributions from the two law enforcement agencies. Financial activities of the Task Force are included in the Washington Parish Sheriff's general-purpose financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

units for which the primary government is financially accountable. Net assets are classified for accounting and reporting into the following three net asset categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net assets are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. (Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

## CITY OF BOGALUSA, LOUISIANA

### Notes to the Primary Government Financial Statements (continued)

regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Industrial Complex Sales Tax accounts for a ½ cent sales tax which is dedicated to improving and maintaining the City's Industrial Park.

The City reports the following major proprietary funds:

The Enterprise Fund accounts for all financial resources water system, sewer system, and garbage collection.

## CITY OF BOGALUSA, LOUISIANA

### Notes to the Primary Government Financial Statements (continued)

Additionally, the City reports the following fund type:

The Bogalusa City Employees' Retirement System is a single-employer pension plan that covers most permanent city employees except policemen and firemen.

#### C. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquisition. State law and the City's investment policy allow the City to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the City are reported at fair value.

#### D. Receivables

Activity between funds that representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Washington Parish. When the City receives the tax roll, a receivable is set up and revenue is recognized based on the assessed values.

The following is a summary of authorized ad valorem taxes.

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

Exp. Fund Type	Purpose	Mils.	Date
General	General purpose	10.54	Indef.
General	Maintenance, equipment, operations and salaries of municipal employees	2.71	2009
General	Fire department maintenance	2.71	2007
General	Maintenance and operation of municipal services	3.62	2007
General	Retirement for police department, fire department, and general city employees	7.79	2009
Special Revenue	Parks and recreation facilities	2.00	2009
Special Revenue	Senior citizens programs	2.00	2009
Debt Service	Paying bonds and interest	10.45	Indef.
Enterprise	Sewer and water works	2.71	2007
Special Revenue	Landfill	5.00	2011
	<b>Total</b>	<b>49.53</b>	

Sales taxes are recognized as revenue in the month of the sale. The Washington Parish Sheriff is authorized to collect and remit this tax to the City.

The following is a summary of authorized sales taxes.

Exp. Fund Type	Purpose	Percent	Date
Special Revenue	Street and drainage maintenance	.25	06/01/07
Special Revenue	Capital improvements	.15	06/01/07
Enterprise (Water and sewer sales tax fund)	Water and sewer maintenance	.15	06/01/07
General	General operations	.45	06/01/07
Special Revenue	Industrial complex maintenance	.25	03/01/03
Special Revenue	Employee salaries and benefits	.50	Indefinite
Special Revenue	Jail operations	.33	Indefinite
General	General operations	1.00	Indefinite
Enterprise	Wastewater system improvement	.25	03/01/03
	<b>Total</b>	<b>3.33</b>	

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

**E. Inventories**

All inventories are valued at cost using the first-in-first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

**F. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included as capital assets during the current year was \$193,405.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Roads, bridges, and infrastructure	20-40 years
Buildings and building improvements	25-40 years
Furniture and fixtures	5-10 years
Vehicles	5 years
Equipment	5-10 years

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

**II. Compensated Absences**

The City has the following policy relating to vacation and sick leave:

Substantially all employees of the City government earn from 1 week to 6 weeks of annual leave each year depending on length of service. Each year any unused annual leave may be accumulated.

Substantially all employees of the City government accrue two days of sick leave for each month of continuous employment. Sick leave may be accumulated to a maximum of 260 working days. Upon termination an employee may sell back to the City one-half of unused sick leave up to a maximum of 20 days.

The entire compensated absence liability is reported on the government-wide financial statements. The cost of leave privileges, in the governmental funds, is recorded in the general long-term obligations account group. Leave privileges associated with employees of the proprietary funds are recorded as a fund liability and operating expense.

**I. Long-Term Obligations**

In the government-wide financial statements, and the propriety fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF BOGALUSA, LOUISIANA**

Notes to the Primary Government Financial Statements (continued)

**J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the City, which are either unusual in nature or infrequent in occurrence.

**L. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**M. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Balances at December 31, 2003, were:

Bonds and notes payable	\$ 6,563,074
Accrued interest payable	137,817
Compensated absences	793,796
Net pension obligation	1,042,254
Capital leases	<u>63,622</u>
Combined adjustment	<u>\$ 8,602,562</u>

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

**N. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES**

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of two items:

Compensated absences	\$ 143,661
Net pension obligation	305,711
Accrued interest on bonds	<u>(12,927)</u>
Combined adjustment	<u>\$ 436,445</u>

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The City follows three procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor submits to the council a proposed operating budget at least forty-five days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and total anticipated revenues.
2. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it.
3. At least ten days prior to the date of such hearing the council publishes in the official journal a general summary of the proposed budget.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is legally enacted through passage of an ordinance, no later than the twenty-seventh day of the last month of the calendar year.

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

5. Budgetary amendments involving the transfer of funds from one department, office, or agency to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the adoption of an ordinance by the Council.
6. Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended or encumbered.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended from time to time by the City Council.

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

At December 31, 2003, the City had cash and cash equivalents (book balances) totaling \$6,641,648 as follows:

Demand deposits	\$ 23,290
Interest-bearing demand deposits	6,617,908
Petty cash	<u>750</u>
Total	<u>\$6,641,648</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, 2003, the City has \$8,928,684 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$8,900,543 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 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 City that the fiscal agent has failed to pay deposited funds upon demand.

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

**b. City Employees' Retirement System (50000):**

At June 30, 2003, the City Employees' Retirement System had cash and cash equivalents (book balances) totaling \$2,198,046 as follows:

Interest-bearing demand deposits	<u>\$2,198,046</u>
----------------------------------	--------------------

At June 30, 2003, the City Employees' Retirement System has \$2,157,832 in deposits (collected bank balances). These deposits were fully secured by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**4. INVESTMENTS**

The following is a summary of investments, at fair market value, held by the Bogalusa City Employees' Retirement System at June 30, 2003:

City Employees' Retirement System (50000)	
Equity mutual fund	\$ 440,562
Corporate bonds	154,671
U.S. Government obligations	<u>4,602,943</u>
<b>Total</b>	<b><u>\$ 5,198,176</u></b>

Investments of the City Employee's Retirement System are reported at fair market value. At June 30, 2003, all of the retirement system's investments were held by bank-administered trust funds. (GASB Category 2)

**5. RECEIVABLES**

The receivables of \$2,736,674 at December 31, 2003, are as follows:

Class of Receivable	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary Funds	Total
<b> taxes</b>						
Ad valorem	\$ 646,116	\$ 275,850	\$ 101,424	\$	\$ 82,642	\$ 1,026,034
Sales and use	373,821	219,843			78,538	628,894
Franchise	208,864					208,864
<b>Intergovernmental:</b>						
Federal	37,630			24,007	8,447	69,684
State	8,818			18,681		27,899
Local	22,174					22,174
Utility bills (net)					245,000	245,000
Miscellaneous	<u>8,232</u>	<u>18,847</u>				<u>27,079</u>
<b>Total</b>	<b><u>\$ 1,302,157</u></b>	<b><u>\$ 512,640</u></b>	<b><u>\$ 101,424</u></b>	<b><u>\$ 42,688</u></b>	<b><u>\$ 458,625</u></b>	<b><u>\$ 2,736,674</u></b>

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

The City of Bogalusa government uses the direct write-off method to write off the majority of general uncollectible accounts receivable. This method approximates methods in accordance with generally accepted accounting principles.

For the utility fund of the City of Bogalusa government has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts.

**4. TAXES PAID UNDER PROTEST**

In January, 2001 the City received \$19,250 of public service property ad valorem taxes for 2000 from Reliant Energy Entex and Florida Gas Transmission Co. which was paid under protest. The money was deposited in a separate checking account to be held in escrow. The account earned \$476 interest during the year which increased the amount in the account at December 31, 2000 to \$20,963.

**7. RESTRICTED CASH**

At December 31, 2000 the City maintained restricted cash accounts required by bond covenants of the \$5,600,000 General Obligation Sewer Bonds 1998, \$1,700,000 Sewer Revenue Bonds 1998, \$3,175,000 Sales Tax Sewer Bonds 1998 and \$2,000,000 Sewer Revenue Bonds 1999 as follows:

Sewer Capital Additions and Contingencies Fund	\$ 204,652
Sewer Revenue Bond Sinking Fund	131,365
Sewer Revenue Bond Reserve Fund	267,674
Wastewater Improvement Sales Tax Fund	20,541
Sewer Sales Tax Bond Sinking fund	124,652
Sales Tax Bond Reserve Fund	<u>238,172</u>
<b>Total Restricted Assets</b>	<b>\$ 987,456</b>

**CITY OF BOGALUSA, LOUISIANA**

Notes to the Primary Government Financial Statements (continued)

**8. NET INVESTMENT IN CHOCTAW ROAD LANDFILL**

The City's investment in Choctaw Road Landfill, a joint venture, is presented in the basic financial statements as follows:

Current financial resources (current assets less current liabilities) presented in the Fund Financial Statements	\$ 50,563
Other economic resources (net property and equipment less landfill closure and postclosure care costs)	<u>294,233</u>
Net Investment in Joint Venture	<u>\$ 344,796</u>

**9. CAPITAL ASSETS**

**GOVERNMENTAL ACTIVITIES**

Prior to 2003 the City used a threshold of \$500 to capitalize its fixed assets. The \$500 figure is still used for management control purposes, but financial accounting purposes the threshold was increased to \$2,500 retroactively back to December 31, 2002. In addition, several items were reclassified. The threshold increase and the reclassifications follows:

	Balance 12/31/02 Previously Stated	Changes	Balance 12/31/02 Revised
Land	\$ 801,237	\$	\$ 801,237
Construction-in-progress	255,258		255,258
Buildings	13,768,283	26,931	13,818,214
Improvements other than buildings	11,725,311	(11,725,311)	—
Infrastructure		11,894,618	11,894,618
Furniture and equipment	<u>3,258,125</u>	<u>(549,482)</u>	<u>2,708,643</u>
Total	<u>\$ 29,928,214</u>	<u>\$ (853,260)</u>	<u>\$ 29,775,658</u>

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

The following is a summary of the changes in capital assets for the year ended December 31, 2003:

	Balance 12/31/02	Increases	Decreases	Balance 12/31/03
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 801,237	\$	\$	\$ 801,237
Construction-in-progress	266,268		235,141	30,117
Total capital assets not being depreciated	1,067,505	—	235,141	832,364
Other capital assets:				
Buildings	13,816,214	735,663		14,551,777
Infrastructure	11,844,616	322,880		12,017,496
Furniture and equipment	2,789,943	77,537		2,867,480
	28,279,473	1,136,080	—	29,385,753
Less accumulated depreciation for:				
Buildings	(4,762,325)	(306,167)		(5,068,492)
Infrastructure	(5,048,510)	(248,743)		(5,196,853)
Furniture and equipment	(1,663,482)	(211,368)		(1,874,850)
Total accumulated depreciation	(11,474,317)	(766,278)	—	(12,150,595)
Other capital assets, net	16,805,156	379,802	—	17,184,958
<b>Totals</b>	<b>\$ 18,882,661</b>	<b>\$ 379,802</b>	<b>\$ 235,141</b>	<b>\$ 17,027,322</b>

Depreciation expense of \$766,278 for the year ended December 31, 2003, was charged to the following governmental functions:

General government	\$ 76,623
Public safety	134,793
Public works	172,367
Culture and recreation	36,510
Economic development	204,821
Airport	139,592
	<u>\$ 766,278</u>

## CITY OF BOGALUSA, LOUISIANA

## Notes to the Primary Government Financial Statements (continued)

	Balance 12/31/02	Increase	Decreases	Balance 12/31/03
<b>Business-Type activities:</b>				
Capital assets, not being depreciated:				
Construction-in-progress	\$ 12,477,325	\$ 832,692	\$ (13,310,007)	\$ —
Other capital assets:				
Water and sewer plant	8,820,147			8,820,147
Sewer treatment plant	2,661,376			2,661,376
Water well	978,114			978,114
Collection system	2,744,248			2,744,248
Sewer pumping system	1,343,751			1,343,751
Water line	4,318,668			4,318,668
Equipment and vehicles	242,139			242,139
Sewer treatment improvements	—	13,310,007		13,310,007
	<u>21,006,584</u>	<u>13,310,007</u>	<u>—</u>	<u>34,316,591</u>
Less accumulated depreciation for:				
Water and sewer plant	(5,289,777)	(129,701)		(5,419,478)
Sewer treatment plant	(2,661,376)			(2,661,376)
Water well	(340,057)	(30,829)		(370,886)
Collection system	(1,783,762)	(68,606)		(1,852,368)
Sewer pumping system	(1,343,750)			(1,343,750)
Water line	(991,882)	(106,470)		(1,098,352)
Equipment and vehicles	(187,669)	(44,581)		(232,250)
Sewer treatment improvements	—	(166,375)		(166,375)
Total accumulated depreciation	<u>(13,447,871)</u>	<u>(546,282)</u>	<u>—</u>	<u>(13,994,153)</u>
Other capital assets, net	<u>7,558,713</u>	<u>12,763,724</u>	<u>—</u>	<u>20,322,437</u>
<b>Totals</b>	<b>\$ 20,038,038</b>	<b>\$ 13,596,406</b>	<b>\$ (13,310,007)</b>	<b>\$ 20,324,437</b>

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

**10. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

The composition of interfund balances as of December 31, 2003 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 200,521	\$ 54,064
Special Revenue Funds		
Employee Pay Rates		119,925
Street Improvement Sales Tax		49,394
Capital Improvement Sales Tax		35,000
Industrial Park Rent/Lease	91,590	13,009
Jail Operations		1,799
Airport Improvement	9,540	
Senior Citizens		23,500
Landfill		692
Youth Recreation/Parks	13,009	
	<u>113,139</u>	<u>242,468</u>
Capital Projects Funds		
Airport Expansion		13,555
		<u>13,555</u>
Enterprise Fund		
Water and Sewer Sales Tax		45,000
Wastewater Improvement		5,447
Utility Fund	60,967	4,003
	<u>60,967</u>	<u>54,510</u>
	<u>\$ 374,607</u>	<u>\$ 374,607</u>

**11. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

The payables of \$1,450,029 at December 31, 2003, are as follows:

	General Fund	Special Revenue Funds	Capital Projects Funds	Proprietary Funds	Total
Accounts	\$ 935,279	\$ 72,152	\$ 3,310	\$ 414,261	\$ 1,424,971
Retainage		8,249	25,709		35,057
Total	<u>\$ 935,279</u>	<u>\$ 80,401</u>	<u>\$ 29,019</u>	<u>\$ 414,261</u>	<u>\$ 1,460,029</u>

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

12. LEASES

The City is obligated under certain leases for copying equipment, a fire truck, and a postage machine accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. The following is a schedule of future minimum lease payments as of December 31, 2003:

Year ending December 31	
2004	\$ 64,000
2005	2,851
2006	950
	<u>67,750</u>
Minimum lease payments for capital leases	67,750
Less: amount representing interest	<u>(3,128)</u>
	<u>\$ 64,622</u>

13. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

Long-term liability activity of governmental activities for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General Obligation Bonds	\$ 5,207,520	\$ 21,732	\$ 308,080	\$ 4,921,172	\$ 310,000
Certificate of Indebtedness	518,080		54,080	458,000	98,000
Notes payable to Firefighters Retirement System	1,308,288		107,227	1,179,061	158,132
Total bonds and notes payable	7,033,888	21,732	469,387	6,586,233	566,132
Other liabilities:					
Accrued interest payable	158,320		12,580	137,810	137,810
Compensated absences	858,184	143,681		1,001,865	708,795
Net Pension Obligation	708,940	335,711		1,044,651	
Capital leases	66,009		67,019	69,990	62,288
Total other liabilities	1,801,453	479,392	179,600	2,099,245	909,193
Governmental activities long-term liabilities	<u>\$ 8,835,341</u>	<u>\$ 501,124</u>	<u>\$ 649,000</u>	<u>\$ 8,687,465</u>	<u>\$ 1,475,325</u>

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

**14. ANNUAL MATURITY REQUIREMENTS OF BONDS AND CERTIFICATES OF INDEBTEDNESS**

The annual requirements to amortize all bond and certificate debts outstanding are as follows for the year ending December 31 (in thousands):

____Description____	2004	2005	2006	2007	2008	2009 and Thereafter	Total
General Obligation							
Bonds:							
1992 Issue 4.00%	\$ 60	\$ 65	\$ 68	\$ 68	\$	\$	\$ 361
Estimated							
1990 Issue 3.00%	130	140	150	155	165	1,040	4,580
Limited Tax Certificates of Indebtedness							
Series 2002	____50	____50	____50	____50	____50	____140	____450
Total bonds	<u>\$ 250</u>	<u>\$ 355</u>	<u>\$ 418</u>	<u>\$ 473</u>	<u>\$ 715</u>	<u>\$ 1,180</u>	<u>\$ 5,391</u>
Interest Requirements:							
General Obligation							
Bonds:							
1992 Issue	\$ 17	\$ 12	\$ 9	\$ 9	\$	\$	\$ 48
Estimated							
1990 Issue	178	167	157	147	137	700	1,488
Limited Tax Certificates of Indebtedness							
Series 2002	____18	____17	____16	____15	____8	____7	____71
Total interest	<u>\$ 212</u>	<u>\$ 196</u>	<u>\$ 172</u>	<u>\$ 161</u>	<u>\$ 145</u>	<u>\$ 707</u>	<u>\$ 1,692</u>

**15. NOTES PAYABLE TO LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM**

On February 3, 1991 the City and the Board of Trustees of the Firemen's Pension and Relief Fund merged their members who had not retired with the State of Louisiana Firefighters' Retirement System. Under the terms of the merger, the City had to buy into the state system for \$1,655,753. The City makes annual payments of \$127,000 including interest (7%).

The annual requirements to amortize the debt to the Firefighters' Retirement System are as follows for the year ended December 31 (in thousands):

	2004	2005	2006	2007	2008	2009 and Thereafter	Total
Principal	\$ 79	\$ 85	\$ 91	\$ 99	\$ 104	\$ 230	\$ 688
Interest	____49	____42	____38	____31	____23	____24	____207
	<u>\$ 127</u>	<u>\$ 254</u>	<u>\$ 895</u>				

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

Effective December 31, 2000, the City and the Board of Trustees of the Firemen's Pension and Relief Fund (FPRF) merged their members who had retired on or before February 3, 1981 with the State of Louisiana Firefighters Retirement System. Under the terms of the merger, the City had to buy into the state system for \$792,562. The CFRS made a down payment of \$194,727, the remaining cash of \$41,619 was applied to the first installment. The remainder of the debt of \$546,216 was assumed by the City to be repaid in ten equal annual payments of \$91,625 including interest (7%) beginning January 15, 2001.

The annual requirements to amortize the debt to the Firefighters Retirement System are as follows for the year ended December 31 (in thousands):

	2004	2005	2006	2007	2008	2008 and Thereafter	Total
Principal	\$ 67	\$ 61	\$ 66	\$ 70	\$ 75	\$ 160	\$ 499
Interest	<u>35</u>	<u>31</u>	<u>37</u>	<u>22</u>	<u>17</u>	<u>38</u>	<u>150</u>
	<u>\$ 92</u>	<u>\$ 198</u>	<u>\$ 649</u>				

The total amount owed to the State of Louisiana Firefighters' Retirement System as of December 31, follows (in thousands):

From February 3, 1981 merger (above)	\$ 685
From December 31, 2000 merger (above)	<u>493</u>
Total	<u>\$ 1,178</u>

**16. NET PENSION OBLIGATION**

During 1995, the City implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The GASB required, among other things, that the liability balance of the Net Pension Obligation (NPO), be recognized in the general long-term debt account group. The NPO has been defined as the cumulative difference since 1995 between annual pension cost and the employer's contributions to the plan.

**17. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS**

Long-term liability activity of business-type activities for the year ended December 31, 2003 was as follows:

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Business-type Activities</b>					
<b>Bonds and notes payable:</b>					
Sales Tax Sever Bonds- \$3,170,000	\$ 2,005,800		\$ 100,800	\$ 2,710,800	\$ 120,800
Sever Revenue Bonds- \$1,730,000	1,450,800		70,800	1,380,800	70,800
Sever Revenue Bonds- \$2,000,000	1,880,800		70,800	1,780,800	70,800
Certificate of Indebtedness	180,800		20,800	150,800	20,800
Total bonds and notes payable	6,298,800	—	262,800	6,080,800	382,800
<b>Other liabilities:</b>					
Accrued interest payable	51,250		3,400	48,790	48,790
Compensated absences	95,894		20,708	70,894	
Net Pension Obligation	282,279	98,349		380,128	
Total other liabilities	329,723	98,349	20,108	408,850	48,790
Business-type activities long-term liabilities	<u>\$ 6,628,723</u>	<u>\$ 98,349</u>	<u>\$ 323,626</u>	<u>\$ 6,418,850</u>	<u>\$ 348,790</u>

A schedule of annual debt service requirements for the bonds and certificates for each of the next five years and thereafter is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 300,000	\$ 190,000	\$ 490,000
2005	315,000	180,000	495,000
2006	325,000	160,000	484,000
2007	335,000	158,000	493,000
2008	320,000	147,000	467,000
Thereafter	4,405,000	848,000	5,253,000
	<u>\$ 6,000,000</u>	<u>\$ 1,682,000</u>	<u>\$ 7,682,000</u>

The State of Louisiana, with federal funds, has established a "State Revolving Fund" to be used to assist local governments to finance the construction of eligible wastewater treatment facilities. The City's application for such a loan was for \$12,500,000; the first installment of which was \$5,000,000 represented by a general obligation bond (included in the General Long-Term Debt Account Group), the second installment of which was \$3,170,000 represented by sales tax sever bonds, the third was \$1,730,000 represented by a utility revenue bond, and the fourth was \$2,000,000 represented by a utility revenue bond. The total amount borrowed on each series of bonds at December 31, 2003 follows:

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

\$5,500,000 General Obligation Sewer Bonds	\$ 5,500,105
\$3,170,000 Sales Tax Sewer Bonds	3,170,000
\$1,730,000 Sewer Revenue Bonds	1,730,000
\$2,000,000 Sewer Revenue Bonds	<u>2,000,000</u>
<b>Total amount borrowed</b>	<b><u>\$ 12,400,105</u></b>

The sales tax sewer bond and the revenue bonds are reported as bonds payable in the Utility Fund. The general obligation bond is reported in the general long-term debt account group. The \$3,170,000 sales tax sewer bond is financed through revenues of the Utility Fund and bears an interest rate of 3.45%. The \$2,000,000 sewer revenue bond is financed through revenues of the Utility Fund and bears an interest rate of 3.45%. The \$1,730,000 sewer revenue bond is financed through revenues of the Utility Fund and bears an interest rate of 2.45%.

The City obtained a \$250,000 certificate of indebtedness dated October, 1997, to pay for emergency repairs to the water sewer. Monies used to pay the certificates are generated from utility revenues. The interest rate on the certificates range from 4.75% to 5.0%. The certificates mature April 1, 2007.

**18. PENSION PLANS**

**a. Bogalusa City Employees' Retirement System**

**1. Plan Description**

Bogalusa City Employees' Retirement System (BCERS) is a single-employer defined benefit pension plan that covers appointive officers and permanent employees of the City except police and fire departments. BCERS provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

Following is the membership of the plan at June 30, 2003.

Date of actuarial valuation	
Retirees & beneficiaries receiving benefits	69
Terminated plan members entitled to but not yet receiving benefits	2
Active plan members	<u>87</u>
<b>Total</b>	<b><u>157</u></b>

CITY OF BOGALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

2. Summary of Significant Accounting Policies

**Basis of Accounting.** The City's retirement system's financial statements were prepared using the accrual basis of accounting. Plan member contributions were recognized in the period in which the contributions were due. Employer contributions to the plan was recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds were recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments.** Investments were reported at fair value. Short-term investments were reported at cost, which approximates fair value. Securities traded on a national exchange were valued at the last reported sales price at current exchange rates. Investments that do not have an established market were reported at estimated fair value.

3. Contributions

Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. As of June 30, 2008, the City contributed \$211,142 in employer contributions or 11% of covered payroll. Contribution requirements of the plan members and the City are established and may be amended by state law.

4. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the BCERS for the current year were as follows:

Annual required contribution	\$ 810,311
Interest on net pension obligation	93,106
Adjustment to annual required contribution	<u>(111,066)</u>
Annual pension cost	792,351
Contributions made	<u>(328,313)</u>
Increase (decrease) in net pension obligation	464,038
Net pension obligation beginning of year	<u>869,322</u>
Net pension obligation end of year	<u>\$ 1,341,360</u>

The annual required contribution for the current year was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 6.50% investment rate of return and (b) projected payroll increases of 4.5% per year of

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

employment. The actuarial value of assets was determined at market value. The unfunded actuarial accrued liability is being amortized as a level percentage of annual compensation. The remaining amortization period at June 30, 2003 was 10 years.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Contrib Payrat
06/30/06	7,357,276	9,982,156	2,625,880	78.29%	1,626,218
06/30/06	7,743,587	10,425,674	2,682,087	74.27%	1,796,936
06/30/06	7,418,976	11,348,761	3,929,785	65.37%	1,691,504
06/30/07	7,881,166	11,762,260	3,781,094	67.88%	1,714,925
06/30/07	7,882,317	12,869,627	5,087,310	58.88%	1,654,121
06/30/07	7,485,388	12,937,291	5,451,903	57.73%	1,784,547
Annual Fiscal Year Ending	Required Contribution Employer	Percentage Contributed By Employer			
06/30/96	377,328	79.00%			
06/30/96	491,537	86.58%			
06/30/96	658,549	85.06%			
06/30/01	686,666	41.0%			
06/30/02	910,341	43.78%			
06/30/03	871,583	48.64%			

**5. Deferred Retirement Option Plan**

In July of 1997 the Bogalusa City Employees' Retirement System was amended by the Louisiana Legislature to provide for a Deferred Retirement Option Plan (DROP). After completing the required years of creditable service and attaining the required age a member may elect to participate in the DROP plan.

Upon commencement of participation in the plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the Deferred Retirement Option Plan account.

Upon termination of employment, a participant in the program shall receive, at his option, a lump sum payment from the account, or he may elect any other method of payment approved by the board of trustees deferred retirement option plan account balance in addition to his regular retirement benefits.

**CITY OF BOGALUSA, LOUISIANA**

**Notes to the Primary Government Financial Statements (continued)**

If employment is not terminated at the end of three years, the participant resumes regular contributions in the System.

The DROP account at June 30, 2008 was \$435,428.

**b. State of Louisiana Firefighters Retirement System**

**1. Plan Description**

The Firefighters Retirement System is a cost-sharing, multiple-employer non-qualified defined benefit pension plan, which covers all active firemen and their families.

Employer members as of June 30, 2008 is as follows:

Cities	54
Parishes	6
Special districts	<u>26</u>
Total employer members	<u>86</u>

Firefighter's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Firefighter's Retirement System, 3100 Brentwood Drive, Baton Rouge, LA 70805, or by calling (225) 925-4060.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting.** The financial statements of Firefighter's Retirement System are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the employee is compensated for services. Benefits and refunds are recognized when due and payable.

**Method Used to Value Investments.** All investments are fixed-income securities and common stock, and are reported at fair market value based on quoted market prices.

**3. Contributions**

Contributions for all members are established by state statute at 8% of earnable compensation. The contributions are deducted from the member's salary and remitted by the participating agency.

**CITY OF BOGALUSA, LOUISIANA**

Notes to the Primary Government Financial Statements (continued)

**4. Concentrations**

Investments held by the Firefighter's Retirement System include:

	<u>Market Value</u>
U.S. Government Securities	\$ 177,805,778
Corporate Bonds	155,036,520
Common Stock	<u>285,745,138</u>
Total	<u>\$ 618,587,436</u>

**6. Municipal Police Employee's Retirement System of the State of Louisiana**

**1. Plan Description**

The Municipal Police Employee's Retirement System is a cost-sharing multiple-employer defined benefit pension plan, which covers all active policemen, police department employees, and their families. At June 30, 2003 there were 144 contributing municipalities.

Municipal Police Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Virginia Eckert, Director, Municipal Police Employee Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, (225) 929-7411.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting.** The financial statements of Municipal Police Employee's Retirement System are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments.** All investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported using estimated future cash flows.

**CITY OF BOGALUSA, LOUISIANA**

Notes to the Primary Government Financial Statements (continued)

**3. Contributions**

Contributions for all members are established by state statute at 7.50% of earnable compensation. The contributions are deducted from the member's salary and remitted by the participating municipality.

**4. Concentrations**

Investments held by the Municipal Police Employee's Retirement System include:

	<u>Market Value</u>
Short-term cash equivalents	\$ 47,626,910
Bonds, foreign and domestic	126,944,627
Mutual funds-domestic	574,000
Marketable securities-domestic	496,775,637
Pooled Bond Fund	320,517,991
Collateral held under securities lending program-repurchase agreements	18,500,000
Collateral held under securities lending program-money market account	729,127
Real estate	10,257,050
Other investments	<u>73,030</u>
<b>Total</b>	<b><u>\$ 1,011,898,792</u></b>

**19. JUNE 30, 2003 FISCAL YEAR END INCLUDED**

The basic financial statements are for the year ended December 31, 2003, except the City Employees Retirement System. It has a fiscal year end of June 30, 2003, so the financial statements for the year ended June 30, 2003 have been included.

**CITY OF BOGALUSA, LOUISIANA**

Notes to the Primary Government Financial Statements (continued)

**20. RISK MANAGEMENT**

The City of Bogalusa participates in a public entity risk pool for workers' compensation. Per the contract with the public entity risk pool, the City of Bogalusa transfers all risk to the public entity risk pool. The City is only responsible for the payment of premiums and deductible on claims. The public entity risk pool is responsible for the payment of claims excluding the deductible. The total amount due to the public entity risk pool for deductibles as of December 31, 2003 is \$257,497 which is included in accounts payable.

**21. GRANTS FROM OTHER GOVERNMENTAL UNITS**

Federal and state governmental units represent an important source of supplementary funding used to finance employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in the General Fund, Special Revenue Funds, and Capital Project Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant.

Some of the grants received by the City specify the purpose for which the grant monies are to be used and such grants are subject to audit by the granting agency. No material amounts have been disallowed as a result of any audits for the year ended December 31, 2003.

**22. LEASES OF CITY PROPERTY**

The City of Bogalusa has operating leases for various buildings, land and improvements. The lease term's range from five years to fifteen years. The following is a schedule of future minimum lease commitments for the next five years:

Year	Amount
2004	\$ 233,260
2005	233,260
2006	233,260
2007	233,260
2008	233,260

Operating lease income for December 31, 2003 was \$219,029.

**CITY OF BOGALUSA, LOUISIANA**

Notes to the Primary Government Financial Statements (continued)

**23. PRIOR PERIOD ADJUSTMENT**

Retained earnings of the operating fund of the utility system on January 1, 2003 was adjusted as follows:

Balance as previously stated	\$ 1,029,368
Adjustment to capitalize construction period interest	617,405
Adjustment to record net pension obligation	<u>(1,002,779)</u>
Balance as restated	<u>\$ 2,044,094</u>

**24. COMPENSATION PAID TO CITY COUNCIL AND MAYOR**

Name	Title	Amount
Jarvis M. McGhee	Mayor	45,409
John Miles	City Council - At Large	7,200
Wendy Penote	City Council - At Large	7,200
Thomas Kates	City Council - District A	7,200
McClure Sampson	City Council - District B	7,750
Onita Graham	City Council - District C	7,200
Andrew Geleon, Jr.	City Council - District D	7,200
Daniel D. Stogner	City Council - District E	7,200

**25. LITIGATION**

On December 31, 2003, the City was a defendant in several lawsuits arising principally from the normal course of operations; most of the cases were being defended by the City's insurance-carrier. The City Attorney has advised that his position on those suits is that they should be defended and/or settled within the policy limits. He also advised that a gap in insurance coverage was created when the City changed from a "claims-made" policy to an occurrence-type policy. He has received a few suits which are not covered by the liability policies. However, the attorney further advised that the provisions of the present Louisiana Constitution do not permit a person holding a judgment against the City to levy or collect that judgment against any assets of the City in a judicial fashion.

CITY OF BOCALUSA, LOUISIANA

Notes to the Primary Government Financial Statements (continued)

26. EXPENDITURES - BUDGET AND ACTUAL

In the following individual funds, actual expenditures and other uses exceeded budgeted expenditures and other uses for the year ended December 31, 2003:

	Revenues		Unfavorable
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Landfill	301,360	370,590	30,770
Youth Recreation/Parks	119,730	105,317	14,413

	Expenditures		Unfavorable
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Industrial Complex			
Rent/Lease	165,000	238,889	73,889
Landfill	235,000	252,212	17,212

**REQUIRED SUPPLEMENTAL  
INFORMATION (PART II)**

**CITY OF BOGALUSA, LOUISIANA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Base	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$4,903,850	\$4,208,800	\$3,903,511	\$ (273,308)
Franchise taxes	373,008	381,080	381,511	44,117
Service charges	14,508	14,500	11,880	(2,628)
Licenses and permits	428,588	408,500	405,079	(18,421)
Fines and forfeitures	50,000	60,800	47,881	(2,019)
Supplemental pay grants	374,280	374,258	373,450	(4,182)
Interest received	113,480	738,412	101,830	(14,780)
Sale of equipment	10,000	15,000	12,244	(2,756)
Miscellaneous	84,280	60,800	118,328	28,828
Interest received	8,800	8,800	7,768	(732)
<b>Total revenues</b>	<u>5,506,640</u>	<u>5,648,670</u>	<u>5,296,642</u>	<u>(298,288)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,140,310	2,188,980	2,078,888	170,141
Public safety	3,812,455	3,778,585	3,548,474	238,831
Public works	1,382,830	1,407,780	1,428,488	(18,718)
Debt service	321,828	318,588	318,588	-
<b>Total expenditures</b>	<u>7,658,423</u>	<u>7,693,933</u>	<u>7,374,438</u>	<u>280,254</u>
Excess (deficiency) of revenues over expenditures	(1,828,532)	(2,048,263)	(1,915,264)	130,968
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	1,908,888	2,185,850	2,112,837	(62,013)
Transfers out	(142,328)	(148,792)	(187,202)	(48,418)
<b>Total other financing sources/uses</b>	<u>1,828,532</u>	<u>2,048,263</u>	<u>1,925,635</u>	<u>(130,288)</u>
<b>Net change in fund balance</b>	-	-	38	38
Fund balance, beginning	787,860	73,800	73,812	(7)
Fund balance, ending	<u>\$ 787,860</u>	<u>\$ 73,800</u>	<u>\$ 73,851</u>	<u>\$ 77</u>

See accompanying auditor's report.

**CITY OF BOGALUSA, LOUISIANA**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund-Industrial Complex Sales Tax**  
**For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES</b>				
Sales taxes	\$ 446,879	\$ 435,000	\$ 429,320	\$ (9,681)
Interest received	125,808	83,638	83,621	(267)
Total revenues	<u>572,687</u>	<u>518,638</u>	<u>512,941</u>	<u>(7,376)</u>
<b>EXPENDITURES</b>				
Current-				
General government	8,000	8,000		8,000
Economic development	70,000	70,000	83,829	13,829
Capital outlay	70,000	70,000		70,000
Total expenditures	<u>148,000</u>	<u>148,000</u>	<u>83,829</u>	<u>84,319</u>
Net change in fund balance	427,687	370,638	429,112	77,998
Fund balance, beginning	<u>2,857,280</u>	<u>2,881,300</u>	<u>2,881,305</u>	<u>5</u>
Fund balance, ending	<u>\$ 3,885,120</u>	<u>\$ 3,242,878</u>	<u>\$ 3,018,724</u>	<u>\$ 27,304</u>

See accompanying auditor's report.

## OTHER SUPPLEMENTAL SCHEDULES

CITY OF BOGALUSA, LOUISIANA  
 Combining Balance Sheet  
 Monorail Governmental Funds  
 December 31, 2003

Special Revenue Funds

	Employee Payables Sales Tax	Street Improvement Sales Tax	Capital Improvement Sales Tax	Industrial Complex Assessments	Airport Maint. and Improvement	Senior Citizens Programs	Youth Recreation and Parks
<b>Assets</b>							
Cash	\$ 53,717	\$ 27,445	\$ 15,558	\$ 95,253	\$ 358	\$ 46,581	\$ 123,882
Receivables	84,458	47,233	28,308	18,847	-	62,887	60,759
Ref. Invested in Cleverton Road Landfill							
Due from other funds							
<b>Total assets</b>	<b>\$ 145,173</b>	<b>\$ 74,678</b>	<b>\$ 44,258</b>	<b>\$ 125,757</b>	<b>\$ 358</b>	<b>\$ 113,969</b>	<b>\$ 187,694</b>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 33,280	\$ 6,267	\$ 13,858	\$ 6,808	\$ -	\$ 9,375
Prepaid expenses						8,288	
Due to other funds	118,825	46,394	35,608	13,228	-	22,008	-
Due to other funds	118,825	21,887	47,337	26,847	8,808	31,188	8,825
<b>Total liabilities</b>							
<b>Fund balances (amount)</b>							
Reserved for debt service	26,252	2,411	2,897	86,843	-	76,284	187,694
Unreserved	20,252	2,411	2,897	86,843	-	76,284	187,694
Capital projects							
<b>Total fund balances</b>	<b>\$ 145,173</b>	<b>\$ 74,678</b>	<b>\$ 44,258</b>	<b>\$ 125,757</b>	<b>\$ 358</b>	<b>\$ 113,969</b>	<b>\$ 187,694</b>

(Continued)  
 See accompanying auditor's report.

CITY OF BOSSALUSA, LOUISIANA  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2008

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Landfill Operations	Art Operations	Debt Sinking Fund	Landfill Improvements	Capital Expenditure		
<b>ASSETS AND OTHER DEBITS</b>							
<b>Assets:</b>							
Cash	\$428,076	\$261,854	\$1,189,944	\$	\$	\$	\$ 2,279,874
Receivables	152,993	62,323	321,494		48,978		587,862
Net Investment in Crossable Road Leases	58,543						58,543
Due from other funds							11,139
<b>Total assets</b>	<b>\$689,612</b>	<b>\$324,177</b>	<b>\$1,511,382</b>	<b>\$</b>	<b>\$ 48,978</b>	<b>\$ 3,299,555</b>	
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$	\$ 1,887	\$	\$	\$ 2,322	\$	72,849
Retainage payable					28,128		54,857
Due to joint venture	29,488						22,866
Due to other funds	852	1,758			13,948		266,823
<b>Total liabilities</b>	<b>33,132</b>	<b>3,645</b>	<b>-</b>	<b>-</b>	<b>45,270</b>	<b>70,870</b>	
<b>Fund balances:</b>							
Reserved for debt service			1,482,989				1,482,989
Unreserved		316,462					316,462
Special revenue	655,648	384,462					1,040,110
Capital projects	603,648	384,462	1,482,989				3,471,109
<b>Total fund balances</b>	<b>\$1,263,344</b>	<b>\$765,386</b>	<b>\$1,482,989</b>	<b>\$</b>	<b>\$ 45,270</b>	<b>\$ 3,299,555</b>	

(Continued)  
 See accompanying auditor's report.



**CITY OF BOGALUSA, LOUISIANA**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Major Governmental Funds**  
**December 31, 2000**

	Social Services Funds						
	Employee Payroll State Tax	Street Improvement State Tax	Capital Improvement State Tax	Individual Complex State Tax	Alcohol Abuse and Improvement	Senior Citizens Programs	Youth Recreation and Parks
Revenue (deductions) of revenues over expenditures	\$ 658,218	\$ (48,673)	\$ (28,048)	\$ 68,454	\$ (24,777)	\$ (284,421)	\$ 63,115
<b>OTHER FINANCING SOURCES(USES)</b>							
Operating transfers in							
Operating transfers (out)	(868,200)			192,878	88,284	(75,894)	
Increase in current financial resources at year versus Total other financing resources(uses)	(209,982)	-	-	192,878	63,507	(75,894)	-
Balance (deficiency) of revenues and other financing resources over expenditures and other uses	\$ 7,666	\$ (48,873)	\$ (28,048)	\$ (12,454)	\$ 1,687	\$ (470,274)	\$ 63,115
Fund balance, beginning	\$ 3,247	\$ 1,354	\$ (28,547)	\$ (12,324)	\$ (1,687)	\$ (545,279)	\$ (24,444)
Fund balance, ending	\$ 2,381	\$ 7,411	\$ 7,497	\$ 89,845	\$ -	\$ 79,284	\$ 181,669

(Continued)  
See accompanying auditor's report.

**CITY OF BOSSALUSA, LOUISIANA**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Major Governmental Funds**  
**Year Ended December 31, 2003**

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Revenue Governmental Funds
	Landfill Operations	Art	General Obligation Bond Sinking Fund	Leveled Tax Combination of Bonds 2002	Landfill Improvement	Airport Expansion	
<b>REVENUES</b>							
Funds							
Art veterans		\$ 201,200	\$	\$	\$	\$	\$ 201,200
Sales		588,570					588,570
Intergovernmental		78,918					78,918
Interest		10,871	54,613	4	638	383,002	549,136
Rent							219,378
Other		2,288					28,988
Total revenues		<u>871,847</u>	<u>54,617</u>	<u>4</u>	<u>638</u>	<u>383,002</u>	<u>1,793,336</u>
<b>EXPENDITURES</b>							
Current							
General government		845,378					845,378
Public works							478,082
Landfill					88,000		288,870
Culture and recreation		280,213					46,525
Economic development							142,911
Airport							84,171
Capital outlay						325,437	325,437
Debt service							407,411
Principal			308,000				308,000
Interest and fees			204,978				204,978
Total expenditures		<u>1,328,591</u>	<u>549,978</u>	<u>4</u>	<u>88,000</u>	<u>325,437</u>	<u>1,708,000</u>

(Continued)  
 See accompanying auditor's report.

**CITY OF BOSSALUSA, LOUISIANA**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Major Governmental Funds**  
**Year Ended December 31, 2005**

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Revenue Governmental Funds
	All Operations	Capital Improvements	General Obligations Fund	Limited Tax Certificates of Participation, Series 2002	Lease Improvement	Capital Expenditure	
Excess (deficiency) of revenues over expenditures	\$ 9,000	\$ 81,387	\$ 43,000	\$ (75,841)	\$ 140,000	\$ (18,185)	\$ 453,840
<b>OTHER FINANCED ACTIVITIES</b>							
Operating activities in connection with:							
Operating investments				75,000		8,076	144,876
Increase in current financial resources of joint ventures	8,000						(1,000,000)
Total other financing resources	8,000			75,000		8,076	143,876
Excess (deficiency) of revenues and other financing resources over expenditures and other uses	16,000	\$ 81,387	\$ 43,000	7	\$ 140,000	\$ (8,109)	\$ 455,966
Fund balances, beginning	887,000	301,176	1,432,300		40,000	8,107	3,330,000
Fund balances, ending	\$ 903,000	\$ 382,563	\$ 1,475,300	\$ 7	\$ 140,000	\$ 1	\$ 2,892,171

(Continued)

See accompanying auditor's report.

**CITY OF BOGALUSA, LOUISIANA**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2003**

	Municipal Improvement	Water & Sewer Sales Tax	Debt Service Fund	Total Nonmajor Enterprise Funds
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash	722	10,314	\$	\$ 10,036
Receivables	6,467	28,300		34,767
Restricted cash			998,915	998,915
Total assets	<u>\$ 8,189</u>	<u>\$ 48,614</u>	<u>\$ 998,915</u>	<u>\$ 1,019,899</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Due to other funds	5,467	45,000	\$	\$ 50,467
Due to federal government	722			722
Total liabilities	<u>\$ 6,189</u>	<u>\$ 45,000</u>	<u>\$</u>	<u>\$ 51,189</u>
Net assets/(deficit):				
Reserved		1,014	998,915	999,915
Unreserved				1,014
Total net assets	<u>\$</u>	<u>\$ 1,014</u>	<u>\$ 998,915</u>	<u>\$ 999,929</u>
Total liabilities and net assets	<u>\$ 8,189</u>	<u>\$ 46,614</u>	<u>\$ 998,915</u>	<u>\$ 1,019,899</u>

See accompanying auditor's report.

**CITY OF BOGALUSA, LOUISIANA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Major Enterprise Funds**  
**For the Year Ended December 31, 2003**

	Wastewater Improvement	Water & Sewer Sales Tax	Debt Service Fund	Total Major Enterprise Funds
<b>OPERATING REVENUES</b>				
User fees	\$ -	\$ -	\$ -	\$ -
Other operating income	-	-	-	-
Total operating revenues	-	-	-	-
<b>OPERATING EXPENSES</b>				
Utilities		95,669		95,000
Supplies and materials		154,881		154,881
Total operating expenses	-	249,551	-	249,551
Operating income(loss)	-	(249,551)	\$	(249,551)
<b>NONOPERATING REVENUE(EXPENSE)</b>				
Sales tax		257,251		257,251
Interest income		364	20,963	20,967
Grant income	21,722			21,722
Total nonoperating revenue(expense)	21,722	257,615	20,963	299,900
Net income before transfers	21,722	7,964	20,963	50,249

(Continued)  
See accompanying auditor's report.

**CITY OF BOGALUSA, LOUISIANA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Nonmajor Enterprise Funds**

For the Year Ended December 31, 2003

	Wastewater Improvement	Water & Sewer Sales Tax	Debt Service Fund	Total Nonmajor Enterprise Funds
<b>OPERATING TRANSFERS IN (OUT)</b>				
Operating Fund	\$ 511,026			\$ 511,026
Operating Fund	<u>(21,722)</u>		<u>(523,956)</u>	<u>(544,291)</u>
Total operating transfers in(out)	<u>\$ (21,722)</u>	<u>\$ -</u>	<u>\$ (11,633)</u>	<u>\$ (33,355)</u>
Increased(decreased) in retained earnings	-	7,964	9,030	16,994
Retained earnings, beginning	-	<u>(8,350)</u>	<u>97,865</u>	<u>89,515</u>
Retained earnings, ending	<u>\$ -</u>	<u>\$ 1,614</u>	<u>\$ 86,232</u>	<u>\$ 87,846</u>

(Concluded)

See accompanying auditor's report.

CITY OF BOGALUSA, LOUISIANA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2003

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM NAME	CFDA NUMBER	EXPENDITURES
<u>United States Department of Transportation</u>		
<u>Passed through Louisiana</u> <u>Department of Aviation</u>		
Airport Improvement	20.106	322,437
Total United States Department of Transportation		322,437
<u>National Park Service (FY2001)</u> <u>Historic Preservation Fund</u>		
<u>Passed through State of Louisiana</u> <u>Office of Cultural Development</u>		
Main Street Program	15.904	11,500
Total National Park Service		11,500
<u>United States Department of Justice</u>		
<u>Passed through Louisiana Capital District</u> <u>Law Enforcement Planning Council, Inc.</u>		
Treasony Intervention	16.546	19,840
Crime Scene Enhancement	16.579	6,823
Narcotics Response Team	16.579	17,995
Violence Against Women	16.568	16,406
LCLE	16.719	1,000
		61,871
Total United States Department of Justice		61,871

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BOGALUSA, LOUISIANA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2003

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM NAME	CFDA NUMBER	EXPENDITURES
<u>Environmental Protection Agency</u>		
<u>Passed through Louisiana Department of Environmental Quality</u>		
Revolving Loan Fund	66-458	<u>21,722</u>
Total Environmental Protection Agency		<u>21,722</u>
<u>Federal Emergency Management Agency</u>		
<u>Passed through LA Military Department Office of Emergency Preparedness</u>		
FEMA	83-544	27,181
Total Federal Emergency Management Agency		<u>27,181</u>
TOTAL EXPENDITURES		<u>\$ 48,903</u>

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BOGALUSA, LOUISIANA  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2009

**NOTE A— BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Bogalusa, Louisiana and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

See accompanying auditor's report.

## OTHER REPORTS

## RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED GOVERNMENT FINANCIAL MANAGER

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

The Honorable J. M. "Mac" McGhee, Mayor  
and the Members of the City Council  
City of Bogalusa, Louisiana

I have audited the primary government financial statements of the City of Bogalusa, Louisiana as of and for the year ended December 31, 2003, and have issued my report therein dated June 18, 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 the City of Bogalusa's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Bogalusa'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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, the City Council, and the office of the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant

Bogalusa, Louisiana  
June 18, 2004

## RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT - CERTIFIED GOVERNMENT FINANCIAL MANAGER

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable J. M. "Mac" McGehee, Mayor  
and Members of the City Council  
City of Bogalusa, Louisiana

### **Compliance**

I have audited the compliance of City of Bogalusa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. City of Bogalusa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Bogalusa's management. My responsibility is to express an opinion on City of Bogalusa's compliance based on my audit.

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

In my opinion, City of Bogalusa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

#### Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Mayor, City Council, and the office of the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant

Bogalusa, Louisiana  
June 15, 2004

CITY OF BOGALUSA, LOUISIANA  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2000

**Section I—Summary of Auditor's Results**

Financial Statements

1. The auditor's report expresses an unqualified opinion on the primary government financial statements of the City of Bogalusa.
2. There were no reportable conditions relating to the audit of the primary government financial statements of the City of Bogalusa noted during the audit.
3. There were no instances of noncompliance material to the primary government financial statements of the City of Bogalusa noted during the audit.

Federal Awards

1. There were no reportable conditions relating to the audit of the major federal award programs.
2. The auditor's report on compliance for the major federal award programs for the City of Bogalusa expresses an unqualified opinion.
3. There are no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).
4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Passed-Through Grants/Federal Program</u>
20.105	Louisiana Department of Aviation/ Airport Improvement

5. The threshold for distinguishing major programs was \$300,000.
6. The City of Bogalusa was determined to be a low-risk auditee.

(Continued)  
See accompanying auditor's report.

CITY OF BOGALUSA, LOUISIANA  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2003

**Section II—Financial Statement Findings**

No matters were reported.

**Section III—Federal Award Findings and Questioned Costs**

No matters were reported.

(Concluded)

See accompanying auditor's report.

CITY OF BOGALUSA, LOUISIANA  
 Schedule of Prior-Year Findings  
 For the Year Ended December 31, 2003

<b>Section I Internal Control and Compliance Material to the Financial Statements</b>	
There were no prior year findings.	
<b>Section II Internal Control and Compliance Material to Federal Awards</b>	
There were no prior year findings.	
<b>Section III Management Letter</b>	
00-1 During 2002, the City began experiencing a cash shortage, and was forced to pay some bills three or four months late. City employees had problems recording accounts payable properly which delayed the preparation of monthly financial statements for several months. The general ledger for December 31, 2002 was finally completed in May, 2003.	Not resolved, see management letter 03-1.
01-1 The budget was not amended when actual expenditures exceeded budgeted expenditures by more than 5% and when actual revenues fell below budgeted revenues by more than 5%.	Not resolved. See management letter 03-2.
01-2 In 2002, the City was overpaid in connection with an airport expansion grant.	Resolved.

See accompanying auditor's report.

## RICHARD M. SEAL

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CERTIFIED PUBLIC ACCOUNTANT ◊ CERTIFIED GOVERNMENT FINANCIAL MANAGER

To the Honorable J.M. "Mac" McGhee, Mayor  
and the Members of the City Council  
City of Bogalusa, Louisiana

I have audited the primary government financial statements of the City of Bogalusa, Louisiana (the City) as of and for the year ended December 31, 2003, and have issued my report therein dated June 18, 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 Audit Standards, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133.

As part of my examination, I have issued my report on the primary government financial statements, dated June 18, 2004, and my report on internal control and compliance with laws, regulations, and contracts, dated June 18, 2004.

During the course of my examination, I became aware of the following matters which represent material deviations of compliance or suggestions for improved internal controls.

### **1. ACCOUNTS/VOUCHERS PAYABLE**

#### Observation:

City employees continued to experience difficulty with reconciling general ledger amounts for accounts payable and vouchers payable to actual amounts. The problem continued to delay preparation of monthly financial statements and the audit report.

**Recommendation:**

This problem recording accounts payable may have spilled over into 2004. Management should address this possibility as soon as possible.

**Management's Response:**

The problem is currently being addressed. The finance department has determined that a dual account/voucher payable is not necessary and causes too many problems with balancing. Vouchers payable has been eliminated. Employees are being re-trained in the accounts payable process.

**2. FUNDS OVER BUDGET**

**Observation:**

Revenues and expenditures in the following special revenue funds had unfavorable variances of over 5% as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>%</u>
<b>Revenues:</b>			
Landfill	\$301,350	\$270,580	10%
Youth Recreation/Parks	119,730	105,317	12%
<b>Expenditures:</b>			
Industrial Complex Rent/Lease	\$165,000	238,889	45%
Landfill	205,000	262,212	7%

**Recommendations:**

Revenues and expenditures should be monitored periodically to control spending, make necessary budget adjustments, and comply with state law.

**Management's response:**

Late financial statements created by the accounts/vouchers payable process have left the administration at a disadvantage in timely determining the need for budget revisions. Corrections made in the accounts payable system should assist management in this matter.

### **3. GRANT INTERNAL CONTROLS**

#### **Observation:**

The management of the City of Bogalusa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In the past, the City has relied on outside professional administrators for compliance, but this has not relieved the City of any responsibility.

#### **Recommendations:**

Since the City is expecting to receive a sizeable airport grant in 2004, I strongly suggest that a city employee be designated as Grant Administrator. The employee should become knowledgeable of all relevant grant agreements, laws and regulations, and write and execute internal control policies and procedures to ensure compliance.

#### **Management's response:**

The administration is currently considering the appointment of a staff member to address this situation.

I recommend management address the foregoing issues as an improvement to operations and the administration of public programs. I am available to further explain the suggestions or help implement the recommendations.



Certified Public Accountant

Bogalusa, Louisiana  
June 18, 2004