

Bogue Lusa Waterworks District
Washington Parish Council
Bogalusa, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules
(with 2017 summarized comparative information)

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company
820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

**Bogue Lusa Waterworks District
Annual Financial Statements
As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules
(with 2017 summarized comparative information)**

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Auditor’s Report			3
Required Supplemental Information			
Management’s Discussion and Analysis:			
Financial Highlights.....			6
Overview of Annual Financial Report.....			7
Financial Analysis.....			7
Condensed Statements of Net Position			8
Condensed Statements of Revenues, Expenses, and Changes in Net Position.....			9
Budgetary Highlights			10
Other Significant Trends and Account Changes			11
Capital Assets.....			12
Long-Term Offerings.....			13
Future Economic Plans			13
Business-Type Financial Statements:			
Statement of Net Position	A		15
Statement of Revenues, Expenses, and Changes in Net Position	B		16
Statement of Cash Flows	C		17
Notes to the Financial Statements			19
Other Supplemental Information:			
Budgetary Comparison Schedule.....		1	33
Schedule of Insurance Coverages		2	34
Schedule of Compensation Paid to Board of Commissioners		3	35
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....		4	36
Schedule of Water Rates and Schedule of Water Customers		5	37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>			38
Schedule of Current Year Audit Findings and Responses			40
Schedule of Prior Year Audit Findings and Responses			41
Independent Accountant’s Report on Applying Agreed Upon Procedures			1-10

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company
820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Bogue Lusa Waterworks District
Washington Parish Council
Bogue Lusa, LA

I have audited the accompanying financial statements of the business-type activities of the Bogue Lusa Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Bogue Lusa Waterworks District, as of December 31, 2018, and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-13 and page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bogue Lusa Waterworks District's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In my opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of compensation, benefits, and other payments to the agency heads are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance, schedule of compensation paid to the Board of Commissioners, and schedule of water rates and number of water customers are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Governmental Auditing Standards*, I have also issued my report dated June 17, 2019, on my consideration of the Bogue Lusa Waterworks District's internal control over financial reporting and on my testes of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bogue Lusa Waterworks District's internal control over financial reporting and compliance.

Minda Raybourn

Franklinton, LA
June 17, 2019

Required Supplemental Information
Management's Discussion and Analysis

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Introduction

The Bogue Lusa Waterworks District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards are more fully described in *Footnote 1 – Summary of Significant Accounting Policies – Section A “Measurement Focus and Basis of Accounting and Financial Statement Presentation”*.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2018, total assets and deferred outflows of resources were \$2,940,410 and exceeded liabilities and deferred inflows of resources by the amount of \$1,759,384 (i.e., net position). Of the total net position, \$632,361 was unrestricted and available to support short-term operations, with \$1,018,307 net investment in capital assets, and \$108,716 restricted for capital activity and debt service.
- For the year ended December 31, 2018, user fee revenues (water sales) increased to \$554,484 as compared to \$504,654 for the fiscal year ending December 31, 2017.
- The District's operating expenses, other than depreciation expense, decreased 14 percent over the prior year's operating expenses going from \$451,250 to \$387,067 for the year ending December 31, 2018.
- Total long-term debt decreased from \$1,080,000 to \$1,035,000 (before deduction of bond discount) from the prior year due to principal payments made on bonds payable.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Overview of the Annual Financial Report

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

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

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

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

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

Financial Analysis

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

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

**Condensed Statements of Net Position
2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 834,951	\$ 763,299	\$ 71,652	9%
Capital Assets	2,045,304	1,501,843	543,461	36%
Total Assets	<u>2,880,255</u>	<u>2,265,142</u>	<u>615,113</u>	27%
Deferred Outflows of Resources				
Deferred Loss on Refunding	60,155	63,711	(3,556)	-6%
Total Deferred Outflows of Resources	<u>60,155</u>	<u>63,711</u>	<u>(3,556)</u>	-6%
Liabilities:				
Long-Term Debt Outstanding	1,026,997	1,026,550	447	0%
Other Liabilities	154,029	185,633	(31,604)	-17%
Total Liabilities	<u>1,181,026</u>	<u>1,212,183</u>	<u>(31,157)</u>	-3%
Net Position:				
Net Investment in Capital Assets	1,018,307	430,293	588,014	137%
Restricted for Capital Activity and Debt Service	108,716	104,009	4,707	5%
Unrestricted	632,361	582,368	49,993	9%
Total Net Position	<u>\$ 1,759,384</u>	<u>\$ 1,116,670</u>	<u>\$ 642,714</u>	58%

The net increase in "Current and Other Assets" is primarily related to a net increase in cash and investments resulting from cash inflows from operations. The net increase in "Capital Assets" primarily reflects \$718,958 in utility system additions and \$3,682 in furniture, fixtures and equipment purchases offset by the depreciation recorded on capital assets of \$104,473 for the fiscal year ending December 31, 2018.

Long term debt decreased related to principal payments of \$45,000. Other liabilities increased due to an increase of \$12,463 due to the Varnado Waterworks District for contract operations and \$4,591 in customer deposits.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 554,484	\$ 504,654	\$ 49,830	10%
Nonoperating Revenues	7,260	5,655	1,605	28%
Total Revenues	<u>561,744</u>	<u>510,309</u>	<u>51,435</u>	10%
Expenses:				
Depreciation Expense	104,473	96,001	8,472	9%
Other Operating Expense	387,067	451,250	(64,183)	-14%
Nonoperating Expense	39,103	39,028	75	0%
Total Expenses	<u>530,643</u>	<u>586,279</u>	<u>(55,636)</u>	-9%
Income (Loss) Before Contributions	31,101	(75,970)	107,071	110%
Capital Contributions	611,613	-	611,613	100%
Changes in Net Position	<u>642,714</u>	<u>(75,970)</u>	<u>718,684</u>	-946%
Beginning Net Position	<u>1,116,670</u>	<u>1,192,640</u>	<u>(75,970)</u>	-6%
Ending Net Position	<u>\$ 1,759,384</u>	<u>\$ 1,116,670</u>	<u>\$ 642,714</u>	58%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Bogue Lusa Waterworks District is being conservatively managed.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by 10% primarily due to the increase in water sales of \$49,830. Nonoperating Revenues increase was primarily due to increases in interest income. Capital contributions of \$611,613 was due to the transfer of the Ralph Street water well from Washington Parish Government. The well was constructed using fiscal year 2016 local development community block grant funding. Parish government received funding and paid the construction expenditures accordingly.

Total operating expenses, other than depreciation, decreased by 14% related to various individual operating expense fluctuations. The most significant fluctuations were: repairs and maintenance of \$30,157, salaries and wages of \$16,606 and bad debts of \$11,336.

The District's net position increased \$642,714 (change in net position) for the fiscal year ending December 31, 2018.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Budgetary Highlights

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

Budget vs. Actual - Fiscal Year ended December 31, 2018

	Budget Year ended December 31, 2018	Actual Year ended December 31, 2018	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 556,450	\$ 554,484	\$ (1,966)
Nonoperating Revenues	7,125	7,260	135
Total Revenues	<u>563,575</u>	<u>561,744</u>	<u>(1,831)</u>
Expenses:			
Depreciation	94,331	104,473	(10,142)
Other Operating Expense	398,162	387,067	11,095
Nonoperating Expense	54,000	39,103	14,897
Total Expenses	<u>546,493</u>	<u>530,643</u>	<u>15,850</u>
Income (Loss) Before Contributions	<u>17,082</u>	<u>31,101</u>	<u>(17,681)</u>
Capital Contributions	-	611,613	611,613
Changes in Net Position	<u>\$ 17,082</u>	<u>\$ 642,714</u>	<u>\$ 593,932</u>

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Other Significant Trends and Account Changes

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

General Operating Data

**Schedule of Water Customers
As of December 31, 2018 and 2017**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Increase (Decrease)</u>
Customers			
Residential	1,405	1,395	10
Commercial	30	30	-
School	1	1	-
Total Customers	<u>1,436</u>	<u>1,426</u>	<u>10</u>

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2018 and 2017.

	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 38,443	\$ 34,720	\$ 3,723
31-60 Days Past Due	4,008	4,793	(785)
61-90 Days Past Due	77	312	(235)
Over 90 Days Past Due	<u>(3,760)</u>	<u>(4,706)</u>	<u>946</u>
Subtotal	38,768	35,119	3,649
Unbilled Accounts Receivable	18,331	16,817	1,514
Allowance for Uncollectible Accounts	<u>(3,084)</u>	<u>(3,225)</u>	<u>141</u>
Net Accounts Receivable	<u>\$ 54,015</u>	<u>\$ 48,711</u>	<u>\$ 3,790</u>

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2018, Bogue Lusa Waterworks District had \$2,045,304 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment in water meters, storage and other equipment, such as office equipment, and maintenance equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 38,025	\$ 38,025	\$ -	0%
Buildings and Improvements	231,387	231,387	-	0%
Furniture, Fixtures, and Equipment	200,881	197,199	3,682	2%
Vehicles	39,361	39,361	-	0%
Utility System	4,221,126	3,502,168	718,958	21%
Construction in Progress	-	74,706	(74,706)	-100%
Subtotal	<u>4,730,780</u>	<u>4,082,846</u>	<u>647,934</u>	16%
Less: Accumulated Depreciation	<u>(2,685,476)</u>	<u>(2,581,003)</u>	<u>(104,473)</u>	4%
Net Capital Assets	<u>\$ 2,045,304</u>	<u>\$ 1,501,843</u>	<u>\$ 543,461</u>	36%

The net increase in "Capital Assets" primarily reflects \$718,958 in utility system additions and \$3,682 in furniture, fixtures and equipment purchases offset by the depreciation recorded on capital assets of \$104,473 for the fiscal year. During the year ending December 31, 2017 the Washington Parish Council began a water well project funded by a Louisiana Community Development Block Grant. The LCDBG funded a portion of the total estimated cost of the project and the applicant was responsible for paying a portion of the estimated costs of the project related to engineering, inspection, and administration. Upon completion, the asset was transferred to the District. The final cost of the well was \$698,519. Other additions included \$20,440 for a chlorination system, \$2,605 for a generator switch, and \$1,076 for a pipe puller.

**Bogue Lusa Waterworks District
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(With 2017 summarized comparative information)**

Long-Term Offerings

A summary of long term debt is as follows:

	December 31, 2018	December 31, 2017
Total Long-Term Debt	\$ 1,026,997	\$ 1,071,550
Long Term	981,997	1,026,550
Long Term Debt - Current	45,000	45,000
Total Net Assets	1,759,384	1,116,670
Total Long-Term Debt to Net Assets Ratio	58.37%	95.96%

Long term debt decreased related to principal payments of \$45,000 for the 2011 Water Revenue Bonds and for the 2016 Revenue Refunding Bonds. The 2011 Water Revenue Bonds were paid in full during the year. Bond obligations were offset by bond discount amortization of \$8,003 for the 2016 Revenue Refunding Bonds. See further discussion in *Note 6—Long Term Obligations* and *Note 7—Flow of Funds, Restrictions on Use*.

Bonds financed for Bogue Lusa Waterworks District require a specific debt to net income ratio of 125%. As noted in *Footnote 7—Flow of Funds, Restrictions on Use*, the District did meet the required ratio for the fiscal year ended December 31, 2018. The District's debt to net income ratio is 212%.

Future Economic Plans

The Bogue Lusa Waterworks District's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects.

Requests for Information

The financial report is designed to provide an overview of Bogue Lusa Waterworks District's finances and demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 26070 Highway 21, Angie, LA 70426. The phone number for the District is (985) 735-1669.

Financial Statements

Bogue Lusa Waterworks District
Statement of Net Position
As of December 31, 2018
With Comparative Totals as of December 31, 2017

Statement A

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 585,284	\$ 527,421
Accounts Receivable	54,015	48,711
Prepaid Insurance	9,504	9,655
Total Current Assets	648,803	585,787
Restricted Assets		
<u>Cash and Cash Equivalents</u>		
Customer Deposits	53,758	46,424
Bond Reserve	81,029	81,030
Bond Contingency	5,188	3,235
Bond Sinking Account	39,069	39,733
<u>Investments</u>		
Customer Deposits	7,104	7,090
Total Restricted Assets	186,148	177,512
Property, Plant, and Equipment		
Land	38,025	38,025
Construction in Progress	-	74,706
Property, Plant, and Equipment, Net	2,007,279	1,389,112
Total Property, Plant, and Equipment	2,045,304	1,501,843
TOTAL ASSETS	\$ 2,880,255	\$ 2,265,142
DEFERRED OUTFLOWS	\$ 60,155	\$ 63,711
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 42,313	\$ 44,450
Other Accrued Payables	34,284	22,680
Total Current Liabilities	76,597	67,130
Restricted Liabilities		
Customer Deposits	60,862	56,271
Revenue Bonds Payable	45,000	45,000
Accrued Interest Payable	16,570	17,232
Total Restricted Liabilities	122,432	118,503
Long Term Liabilities		
Bonds Payable	981,997	1,026,550
Total Long Term Liabilities	981,997	1,026,550
TOTAL LIABILITIES	\$ 1,181,026	\$ 1,212,183
DEFERRED INFLOWS	\$ -	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 1,018,307	\$ 430,293
Restricted	108,716	104,009
Unrestricted	632,361	582,368
TOTAL NET POSITION	\$ 1,759,384	\$ 1,116,670

The accompanying notes are an integral part of these financial statements.

Statement B

Bogue Lusa Waterworks District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018	2017
Operating Revenues		
Water Sales	\$ 527,658	\$ 483,508
Penalties	14,395	13,294
Installation Fees	4,700	4,500
Reconnect Fees	2,750	2,150
Other	4,981	1,202
Total Operating Revenues	554,484	504,654
Operating Expenses		
Advertising	756	1,405
Bad Debts	1,319	12,655
Contract Operations & Maintenance	57,117	56,560
Contract Labor	94,082	99,488
Depreciation	104,473	96,001
Director's Expense	2,240	2,200
Insurance	14,548	14,152
Meter Reading	20,465	20,202
Permit Fees	16,574	12,127
Other	4,513	4,538
Payroll Taxes	1,307	2,394
Professional Fees	18,125	23,570
Repairs & Maintenance	33,631	63,788
Salaries & Wages	14,186	30,792
Supplies- Maintenance	35,258	33,683
Supplies- Office	11,190	7,337
Utilities	56,921	60,364
Vehicle Expense	4,835	5,994
Total Operating Expenses	491,540	547,251
Operating Income (Loss)	62,944	(42,597)
Non Operating Revenues (Expenses)		
Interest Income	3,151	1,425
Interest Expense	(37,974)	(39,028)
Bond Issuance Costs	(1,129)	-
Other Revenues (Expenses)	4,109	4,230
Total Non Operating Revenues (Expenses)	(31,843)	(33,373)
Income (Loss) Before Contributions And Transfers	31,101	(75,970)
Capital Asset Transfers from Other Governmental Unit	611,613	-
Change in Net Position	642,714	(75,970)
Total Net Position, Beginning	\$ 1,116,670	\$ 1,192,640
Total Net Position, Ending	\$ 1,759,384	\$ 1,116,670

The accompanying notes are an integral part of these financial statements.

Bogue Lusa Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Received from Customers	\$ 537,937	\$ 503,172
Received for Meter Deposit Fees	4,492	2,683
Other Receipts	-	-
Payments for Operations	(351,179)	(372,578)
Payments to Employees	(15,493)	(33,186)
Net Cash Provided by Operating Activities	<u>175,757</u>	<u>100,091</u>
Cash Flows from Non Capital Financing Activities		
Other Receipts	4,109	4,230
Net Cash Provided by Non Capital Financing Activities	<u>4,109</u>	<u>4,230</u>
Cash Flows from Capital and Related Financing Activities		
Capital Acquisitions	(36,322)	(95,284)
Principal Proceeds from Long Term Debt	-	-
Payments to Escrow Agent	-	-
Principal Repayments for Long Term Debt	(45,000)	(40,000)
Debt Issue Cost (Payments)	(1,129)	-
Deferred Outflow and Bond Amortization	(447)	(447)
Interest Payments for Long Term Debt	(33,634)	(22,805)
Net Cash Provided by Capital and Related Financing Activities	<u>(116,532)</u>	<u>(158,536)</u>
Cash Flows from Investing Activities		
Receipt of Interest	3,151	1,425
Proceeds from sale of Investments	-	(8)
Net Cash Provided by Investing Activities	<u>3,151</u>	<u>1,418</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	66,485	(52,797)
Cash Equivalents, Beginning of Year	697,843	750,640
Cash Equivalents, End of Year	<u><u>\$ 764,328</u></u>	<u><u>\$ 697,843</u></u>
Reconciliation of Cash and Cash Equivalents to the		
Cash and Cash Equivalents, Unrestricted	\$ 585,284	\$ 527,421
Cash and Cash Equivalents, Restricted	179,044	170,422
Total Cash and Cash Equivalents	<u><u>\$ 764,328</u></u>	<u><u>\$ 697,843</u></u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Statement C

**Bogue Lusa Waterworks District
Statement of Cash Flows
For the Year Ended December 31, 2018**

With Comparative Totals for the Year Ended December 31, 2017

Reconciliation of Operating Income (Loss) to Net Cash	<u>2018</u>	<u>2017</u>
Operating Income (Loss)	\$ 62,944	\$ (42,597)
Adjustments to Reconcile Operating Income (Loss) to		
Depreciation	104,473	96,001
Accounts Receivable	(5,869)	10,215
Due from Other Governments	-	6,472
Prepaid Insurance	151	(26)
Accounts Payable	(2,137)	25,879
Accrued Expenses	11,604	1,464
Customer Deposits	4,591	2,683
Net Cash Provided by Operating Activities	<u>\$ 175,757</u>	<u>\$ 100,091</u>

Concluded

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

Introduction

Bogue Lusa Waterworks District was established July 31, 1969, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a five-member governing board of commissioners appointed by the Washington Parish Council. The District serves 1,436 customers as of December 31, 2018. The District's water wells are located southwest of the Bogalusa city limits. The system lines run south to the St. Tammany Parish boundary and west of the Bogalusa city limits for approximately fifteen miles.

Bogue Lusa Water Works District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, as amended, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Bogue Lusa Water Works District is considered a component unit of the Washington Parish Council. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within those financial statements or separately reported as a discrete component unit.

1. Summary of Significant Accounting Policies

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

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statements described in the following paragraphs. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* that require capital contributions to the District to be presented as revenues at the bottom of the statement of revenues, expenditures, and changes in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J—Net Position*. As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ending December 31, 2012.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The District reported \$60,155 in deferred outflows of resources at December 31, 2018. See *Footnote I—Long-Term Debt Obligations*.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

B. Cash and Cash Equivalents and Investments

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

C. Investments

Investments for the District are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy.

D. Inventories

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

E. Prepaid Items

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

**Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)**

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, funds held for customer's meter deposits are also classified as restricted assets.

G. Capital Assets

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 Years
Equipment	5 - 10 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years
Water System	15 - 30 Years

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

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

H. Compensated Absences

Employees receive two weeks of paid vacation after being employed for one to five years, and three weeks of paid vacation for six to ten years, increasing to six weeks of vacation for employees with over twenty-one years of service. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue one half day per month of employment for sick leave up to a maximum of forty-five days. In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Debt Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65). Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses).

The District has previously implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to complement GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and*

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

Net Position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The District incurred and expensed \$1,129 in bond issuance costs associated with the issuance of Water Revenue Refunding Bonds, Series 2016 in the year ending December 31, 2018. See further discussion on the bond issuance in *Note 6—Long Term Obligations* and *Note 7—Flow of Funds, Restrictions on Use.*

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued (“old”) debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* provide guidance on reporting difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

During the year ending December 31, 2016, the District issued \$ 1,080,000 in Water Revenue Refunding Bonds, Series 2016 for the purpose of refunding a portion of the District’s outstanding bonds funding a reserve fund and paying the costs of issuance of the bonds. The District reported \$67,268 in deferred outflows of resources at December 31, 2016, related to the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt during the current year. See further discussion on refunding bond in *Note 6—Long Term Obligations* and *Note 7—Flow of Funds, Restrictions on Use.*

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management’s Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

L. 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 District, which are either unusual in nature or infrequent in occurrence.

M. Estimates

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

2. Cash and Cash Equivalents

At December 31, 2018 and 2017, the District has cash and cash equivalents (book balances), as follows:

	December 31, 2018	December 31, 2017
Demand Deposits	\$ 508,861	\$ 482,090
Time & Savings Deposits	133,103	122,552
Louisiana Asset Management Pool (LAMP)	122,365	93,201
Total Cash and Cash Equivalents	<u>764,329</u>	<u>697,843</u>
Certificate of Deposits held in Investments (See Note 3)	<u>7,103</u>	<u>7,090</u>
Total Deposits	<u>\$ 771,432</u>	<u>\$ 704,933</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.

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2018, the District had \$650,656 in deposits other than LAMP (collected bank balances) within four separate banks, consisting of \$510,449 in demand deposits, \$133,103 in

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

time and savings and \$7,104 in certificates of deposits held as investments. Three of the banks were each secured by federal deposit insurance of \$250,000. The remaining bank had deposits of \$327,145. Of this amount, \$250,000 is secured by federal deposit insurance and \$100,000 is secured by pledged securities held by the custodial bank in the name of the fiscal agent bank. The \$100,000 in deposits secured by pledged securities is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are 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, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments when held are carried at fair market value, with the estimated fair market value based on quoted market prices. The only investments held by the District at December 31, 2018, are the certificates of deposit listed in Note 2. The certificates of deposit are carried at cost which approximates market value.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool, Inc., (LAMP) at December 31, 2018, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

1. **Credit risk:** LAMP is rated AAAM by Standards and Poor's.
2. **Custodial credit risk:** LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. **Concentration of credit risk:** Pooled investments are excluded from the five percent disclosure requirement.
4. **Interest rate risk:** LAMP is designed to be highly liquid to give participants immediate access to their account balances. 2a7-like investment pools are excluded from this disclosure requirement per paragraph

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 47 days as of December 31, 2018.

5. **Foreign currency risk:** Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP. That report may be obtained by calling (800) 249-5267.

4. Receivables

The following is a summary of receivables at December 31, 2018 and 2017:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Increase (Decrease)
Accounts Receivable			
Current	\$ 38,443	\$ 34,720	\$ 3,723
31-60 Days Past Due	4,008	4,793	(785)
61-90 Days Past Due	77	312	(235)
Over 90 Days Past Due	<u>(3,760)</u>	<u>(4,706)</u>	<u>946</u>
Subtotal	38,768	35,119	3,649
Unbilled Accounts Receivable	18,331	16,817	1,514
Allowance for Uncollectible Accounts	<u>(3,084)</u>	<u>(3,225)</u>	<u>141</u>
Net Accounts Receivable	<u>\$ 54,015</u>	<u>\$ 48,711</u>	<u>\$ 3,790</u>

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

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2018, accrued billings amounts were \$18,331, and \$16,817 at December 31, 2017.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2018 is as follows:

	Beginning Balance 12/31/17	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/18
Capital Assets				
Capital Assets - Not Depreciated				
Land	\$ 38,025	\$ -	\$ -	\$ 38,025
Construction in Progress	74,705	12,201	(86,906)	-
Total Capital Assets - Not Depreciated	<u>112,730</u>	<u>12,201</u>	<u>(86,906)</u>	<u>38,025</u>
Capital Assets - Depreciated				
Buildings	231,387	-	-	231,387
Equipment	195,348	3,681	-	199,029
Furniture and Fixtures	1,850	-	-	1,850
Vehicles	39,361	-	-	39,361
Utility System	3,502,170	718,958	-	4,221,128
Total Capital Assets - Depreciated	<u>3,970,116</u>	<u>722,639</u>	<u>-</u>	<u>4,692,755</u>
Less Accumulated Depreciation	<u>(2,581,003)</u>	<u>(104,473)</u>	<u>-</u>	<u>(2,685,476)</u>
Total Capital Assets - Depreciated - Net	<u>1,389,113</u>	<u>618,166</u>	<u>-</u>	<u>2,007,279</u>
Total Capital Assets, Net	<u>\$ 1,501,843</u>	<u>\$ 630,367</u>	<u>\$ (86,906)</u>	<u>\$ 2,045,304</u>

The net increase in “Capital Assets” primarily reflects \$718,958 in utility system additions and \$3,681 in furniture, fixtures and equipment purchases offset by the depreciation recorded on capital assets of \$104,473 for the fiscal year. During the year ending December 31, 2017 the Washington Parish Council began a water well project funded by a Louisiana Community Development Block Grant. The LCDBG funded a portion of the total estimated cost of the project and the District was responsible for paying a portion of the estimated costs of the project related to engineering, inspection, and administration. Upon completion in 2018, the asset was transferred to the District. The final cost of the well was \$698,519. Other additions during the year included \$20,440 for a chlorination system, \$2,605 for a generator switch, and \$1,076 for a pipe puller.

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2018:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
2011 Water Revenue Bonds	20,000	-	(20,000)	-	0
2016 Water Revenue Refunding Bonds	1,060,000	-	(25,000)	1,035,000	45,000
Total Long-Term Debt	<u>1,080,000</u>	<u>-</u>	<u>(45,000)</u>	<u>1,035,000</u>	<u>45,000</u>
Less:					
Unamortized Premium (Discount)	(8,450)	-	447	(8,003)	447
Total Long Term Debt	<u>\$ 1,071,550</u>	<u>\$ -</u>	<u>\$ (44,553)</u>	<u>\$ 1,026,997</u>	<u>\$ 45,447</u>

During the year ending December 31, 2016, the District issued \$ 1,080,000 in Water Revenue Refunding Bonds, Series 2016 at a discount of \$8,934 for the purpose of refunding the outstanding 1993 and 1998 water revenue bonds and \$645,000 of the outstanding 2011 water bonds (those maturing in years 2019 to 2036), funding a reserve fund, and paying the costs of issuance of the bonds. The District refunded the outstanding \$184,459 in

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

Series 1993 water revenue bonds and \$308,308 in 1998 water revenue bonds. Additionally, \$691,325 of the bond proceeds plus \$10,941 of reserve funds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2019 to 2036 debt service payments on the 2011 water revenue bonds. These bonds maturing July 1, 2021 and thereafter will be called on July 1, 2018 at a price equal to the principal amount thereof (\$645,000) plus accrued interest to the call date. As a result, \$645,000 of the 2011 water bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2017.

Bonds Payable as of December 31, 2018 and 2017 is as follows:

	December 31, 2017	December 31, 2017
Water System \$ 780,000 Series 2011 Revenue Bonds sold privately Dated 8/30/2011 due in annual installments of principal and semi-annual interest averaging \$ 55,184 per year to 7/1/2036 interest ranging from 4.00% to 5.375%	\$ -	\$ 20,000
Water System \$ 1,080,000 Series 2016 Revenue Refunding Bonds sold privately Dated 11/17/2016 due in annual installments of principal and semi-annual interest averaging \$ 75,186 per year to 7/1/2036 interest ranging from 2.10% to 3.85%	1,035,000	1,060,000
	\$ 1,035,000	\$ 1,080,000

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments of \$406,321 are as follows:

Year Ending 12/31/17	2016 Water Revenue Refunding Bonds \$ 1,080,000
2019	78,139
2020	77,194
2021	76,249
2022	80,304
2023	78,879
2024 to 2028	391,875
2029 to 2032	389,905
2033 to 2036	231,313
	\$ 1,403,858

7. Flow of Funds, Restrictions on Use

In the year 2011, the Water Revenue Bonds Series 1993 and the Water Revenue Bonds Series 1998 were paid off and the remaining bonds were parity bond obligations and consisted of the 1993 Water Revenue Bonds, the 1998 Water Revenue Bonds, and the 2011 Water Revenue Bonds, as described below.

On July 9, 1992, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$290,000 of revenue bonds for the purpose of extending and improving the existing water works system.

**Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)**

On March 8, 1993, \$290,000 of the bonds were sold to RUS. The bonds were issued at par for forty years with interest at 5.625 percent, maturing on April 8, 2033.

On October 8, 1998, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$400,000 of revenue bonds for the purpose of extending and improving the existing water works system. On December 9, 1998, \$400,000 of the bonds were sold to RUS. The bonds were issued at par for forty years with interest at 4.75 percent, maturing on December 9, 2038.

On July 27, 2010, the governing authority, after following the prescribed legal requirements, passed a resolution to issue \$1,205,000 of revenue bonds for the purpose of constructing and acquiring improvements and extensions to the existing water works system, for funding a debt service reserve fund, and for funding the costs of issuance. On August 30, 2011, \$780,000 of the bonds were sold through a private lender. The bonds are payable with semi-annual interest payments and annual principal payments with annual interest rates varying from 4.0% to 5.375%, and mature on July 1, 2036.

During the year ending December 31, 2016, the District issued \$ 1,080,000 in Water Revenue Refunding Bonds, Series 2016 for the purpose of refunding the outstanding 1993 and 1998 water revenue bonds and \$645,000 of the outstanding 2011 water bonds (those maturing in years 2019 to 2036), funding a reserve fund, and paying the costs of issuance of the bonds. The bonds were sold to a private lender. The District refunded the outstanding \$184,459 in Series 1993 water revenue bonds and \$308,308 in 1998 water revenue bonds. Additionally, \$691,325 of the bond proceeds plus \$10,941 of reserve funds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2019 to 2036 debt service payments on the 2011 water revenue bonds. These bonds maturing July 1, 2021 and thereafter will be called on July 1, 2018 at a price equal to the principal amount thereof (\$645,000) plus accrued interest to the call date. As a result, \$645,000 of the 2011 water bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2016. The District incurred and expensed \$64,686 in bond issuance costs associated with the issuance of Water Revenue Refunding Bonds, Series 2016 in the year ending December 31, 2016. The District reported \$67,268 in deferred outflows of resources at December 31, 2016 related to the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt during the current year.

Due to the refunding of debt, previous debt service of \$1,830,935 was replaced by debt service of \$1,503,729 after refunding, resulting in an increase in cash flow of \$327,206. A recap of the net present value benefits and cash savings for the Water Revenue Refunding Bonds, Series 2016 issue is presented below:

PV Analysis Summary (Gross to Gross) for Water Revenue Refunding Bonds, Series 2016

Gross PV Debt Service Savings	\$	254,599
Contingency Fund Transfer		(184,997)
Transfer from Prior Issue Debt Service Fund		(10,942)
Transfer from Prior DSR Fund		(99,433)
Amount deposited into new DSR Fund		81,029
Release of Contingency Funds		100,000
Additional transfer from DSR Fund		(74,932)
Net Present Value Benefit	\$	<u>65,324</u>
Net PV Benefit / \$1,133,613 Refunded Principal		5.762%
Net PV Benefit / \$1,080,000 Refunding Principal		6.048%

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

The Series 2016 bonds were issued on a parity with the Series 2011 bonds maturing July 1, 2017, to July 1, 2018. Under the terms of the bonds, the bonds and the outstanding parity bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the combined water system of the District after provision has been made for payment of the reasonable and necessary expenses of operating and maintaining of the system. Total interest expense on all water revenue bonds, for the fiscal year ending December 31, 2018, equaled \$33,971. The gross water revenue recognized during the current period was \$527,658.

Under the terms of the bonds, a “Waterworks Revenue Bond and Interest Sinking Fund” (the “sinking fund”) must be maintained with the paying agent for the outstanding parity bonds, sufficient in amount to pay promptly and fully the principal of and the interest on the bonds and outstanding parity bonds. The District must deposit funds into the sinking fund, on or before the twentieth (20th) of each month, a sum equal to the amount of principal and interest accruing on the bonds payable from the sinking fund for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Based on the debt service schedule, the deposit is one-sixth (1/6) of the amount required to make the interest payment on the bonds due on the next interest date plus one-twelfth (1/12) of the amount required to make the principal payment on the bonds due on the next principal date. As of December 31, 2018, the District maintained a balance of \$39,069, meeting the required deposit for the Sinking Fund.

Additionally, a “Series 2011 Waterworks Bond Debt Survive Reserve Fund” (the “Reserve Fund”) must be maintained as required by the parity bond resolution (the series 2011 bonds). The money in the reserve fund can only be used to pay principal and interest on the bonds and the outstanding parity bonds. The reserve fund must contain an amount equal to the lesser of (i) 10% of the bond proceeds, the outstanding parity bonds and any additional bonds hereafter issued, (ii) 125% of the average annual debt service on the bonds, the outstanding parity bonds and any additional bonds hereafter issued, (iii) 100% of the maximum annual debt service on the bonds, the outstanding parity bonds and any additional bonds hereafter issued. The Reserve Fund was fully funded at bond closing with a payment of \$81,029, and at December 31, 2018, was fully funded.

Finally, a “Waterworks Depreciation Fund” (the “Contingencies Fund”) must be maintained to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system. The District must deposit funds into the contingencies fund, on or before the twentieth (20th) of each month, a sum equal 5% of the amount to be paid into the sinking fund. The payments continue over the life of the bonds. For the fiscal year ended December 31, 2018, the contingencies fund were fully funded with a balance maintained of \$5,188. Money in this fund may also be used to pay principal of and interest on any bond for the payment of which there is not sufficient money in the sinking fund or reserve fund, but if so used, such money shall be replaced as soon as possible thereafter out of the earnings of the system after making the required payments into the respective funds and accounts hereinabove set out.

As noted, the Series 2016 bonds were issued in parity with the 2011 bonds. The Series 2016 bonds require the following covenants:

The Issuer, through its governing authority, by proper resolution and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will provide revenues in each fiscal year, funds sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year, the principal and interest maturing on the outstanding parity bonds and the bonds in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide Net Revenues in each fiscal year at least equal to 125% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any additional parity bonds or other obligations secured by or payable from Net Revenues. “Net Revenue,” per the applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2018, Net Revenues were computed to be above the 125 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 212 percent.

Bogue Lusa Waterworks District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018
(with 2017 Summarized Comparative Information)

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

8. Restricted Net Position

At December 31, 2018, Bogue Lusa Waterworks District recorded \$108,716 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

9. Litigation and Claims

There is no pending litigation as of December 31, 2018.

10. Intergovernmental Agreement

On January 21, 1995, the Bogue Lusa Waterworks District entered into a one-year service agreement with the Varnado Waterworks District with automatic annual renewals unless one of the parties notifies the other sixty days prior to the anniversary date. The agreement was active for the year ending December 31, 2018.

Under the terms of the agreement, the Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for the Bogue Lusa Water Works District. The fee for this service was \$2.25 per customer per month through April, 2010. The fee increased to \$2.35 per customer per month until June of 2012, after which the fee was increased to \$2.60 payable monthly. The actual amount paid to Varnado Water District is adjusted at fiscal year-end based on joint operating costs incurred by Varnado Waterworks District.

Under the terms of the agreement, Varnado Waterworks District will also provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District will be billed monthly at two times the employees' hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the Bogue Lusa Waterworks District \$.35 cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement, and the actual amount paid to Varnado Water District will be adjusted at fiscal year-end based on joint operating costs incurred by Varnado Waterworks District. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

The District incurred \$57,117 in contract operations and maintenance and \$94,082 in contract labor related to the agreement.

11. Subsequent Events

On January 8, 2019, the Board voted to increase the minimum charge for water by \$1. On February 12, 2019, the District approved the purchase of a new truck for \$32,179 to replace a truck that had been destroyed in an accident. An insurance settlement check for \$12,481 received in February 2019 was used to defray some of the cost.

Subsequent events have been evaluated by management through June 17, 2019, the date the financial statements were available to be issued. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

Other Supplemental Information

Bogue Lusa Waterworks District
Budgetary Comparison Schedule
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018 Budget	2018 Actual	Variance Favorable (Unfavorable)	2017 Actual
Operating Revenues				
Water Sales	\$ 530,000	\$ 527,658	\$ (2,342)	\$ 483,508
Penalties	14,250	14,395	145	13,294
Installation Fees	4,800	4,700	(100)	4,500
Reconnect Fees	2,600	2,750	150	2,150
Other	4,800	4,981	181	1,202
Total Operating Revenues	556,450	554,484	(1,966)	504,654
Operating Expenses				
Advertising	1,000	756	244	1,405
Bad Debts	500	1,319	(819)	12,655
Contract Operations & Maintenance	45,000	57,117	(12,117)	56,560
Contract Labor	96,300	94,082	2,218	99,488
Depreciation	94,331	104,473	(10,142)	96,001
Director's Expense	2,350	2,240	110	2,200
Insurance	16,000	14,548	1,452	14,152
Meter Reading	20,500	20,465	35	20,202
Permit Fees	16,574	16,574	-	12,127
Other	5,745	4,513	1,232	4,538
Payroll Taxes	1,307	1,307	-	2,394
Professional Fees	18,500	18,125	375	23,570
Repairs & Maintenance	44,500	33,631	10,869	63,788
Salaries & Wages	14,186	14,186	-	30,792
Supplies- Maintenance	40,000	35,258	4,742	33,683
Supplies- Office	10,000	11,190	(1,190)	7,337
Utilities	59,300	56,921	2,379	60,364
Vehicle Expense	6,400	4,835	1,565	5,994
Total Operating Expenses	492,493	491,540	953	547,251
Operating Income (Loss)	63,957	62,944	(1,013)	(42,597)
Non Operating Revenues (Expenses)				
Bond Issuance Costs Incurred	-	(1,129)	(1,129)	-
Interest Income	2,150	3,151	1,001	1,425
Interest Expense	(54,000)	(37,974)	16,026	(39,028)
Other Revenues (Expenses)	4,975	4,109	(866)	4,230
Total Non Operating Revenues (Expenses)	(46,875)	(31,843)	15,032	(33,373)
Income (Loss) Before Contributions And Transfers	17,082	31,101	14,019	(75,970)
Capital Asset Transfers from Other Governmental Unit	-	611,613	611,613	-
Change in Net Position	17,082	642,714	625,632	(75,970)
Total Net Position, Beginning	1,116,670	1,116,670	-	1,192,640
Total Net Position, Ending	\$ 1,133,752	\$ 1,759,384	\$ 625,632	\$ 1,116,670

See independent auditor's report.

Bogue Lusa Waterworks District
Schedule of Insurance
For the year ended December 31, 2018

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
CNA Surety Company 18274192	Fidelity Bond:		7/6/2018 to 7/6/2019
	President	\$ 100,000	
	Secretary-Treasurer	100,000	
	Office Manager	100,000	
	Clerk	25,000	
American Alternative Insurance Company GPPA-PF-6052755-06	Commercial General Liability:		10/16/2018 to 10/16/2019
	General Aggregate	3,000,000	
	Each Occurrence	1,000,000	
	Products / Completed Oper. Aggregate	3,000,000	
	Personal & Advertising Injury	1,000,000	
	Damage to Premises Rented	1,000,000	
	Medical Expense	10,000	
	Crime Coverage	10,000	
	Cyber Liability	1,000,000	
	Excess Liability	2,000,000	
	Property	935,152	
	Equipment	500,000	
	Business Automobile:		
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Comprehensive	As scheduled	
	Collision	As scheduled	
	Medical Payments	5,000	
Louisiana Workers Compensation Corp 116143-A	Workers Compensation:		2/1/2018 to 2/1/2019
	Each Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

See independent auditor's report.

Schedule 3

**Bogue Lusa Waterworks District
 Schedule of Compensation Paid to Board of Commissioners
 For the year ended December 31, 2018**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Howard Stewart, President (985) 735-6424	11175 Pine Ridge Road Bogalusa, LA 70427	\$ 600	12/31/23
Jim Willis, Vice-President (985) 732-3040	29081 Louisiana Highway 1074 Bogalusa, LA 70427	480	12/31/21
Leo Mickenheim (985) 732-4888	18180 Wells Road Bogalusa, LA 70427	320	12/31/22
Carolyn Bridges (985) 732-3762	103 Red Bird Lane Bogalusa, LA 70427	440	12/31/19
Deborah Baughman (985) 516-1391	57573 Spring Valley Road Bogalusa, LA 70427	400	12/31/20
		<u>\$ 2,240</u>	

See independent auditor's report.

Schedule 4

**Bogue Lusa Waterworks District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2018**

Agency Head Name: Howard Stewart, President

<u>Purpose</u>	<u>Amount</u>
Per Diem - Board Member	\$ 600

See independent auditor's report.

**Bogue Lusa Waterworks District
Schedule of Water Rates
For the year ended December 31, 2018**

Water	
Residential Rates	Commercial Rates
\$ 20.00 - First 2,000 Gallons	\$ 51.00 - First 15,000 Gallons
2.75 - Per 1,000 Gallons of Water over 2,000 Gallons	\$ 3.00 - Per 1,000 Gallons of Water over 15,000 Gallons

**Schedule of Water Customers
As of December 31, 2018 and 2017**

	31, 2018	2017	(Decrease)
Customers			
Residential	1,405	1,395	10
Commercial	30	30	-
School	1	1	-
Total Customers	1,436	1,426	10

See independent auditor's report.

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company
820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

Member
AICPA

Member
LCPA

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

To the Board of Commissioners
Bogue Lusa Waterworks District
Washington Parish Council
Varnado, LA

I have audited, in accordance with the 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, the financial statements of the business-type activities, of Bogue Lusa Waterworks District, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Bogue Lusa Waterworks District's basic financial statements and have issued my report thereon dated June 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Bogue Lusa Waterworks District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bogue Lusa Waterworks District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bogue Lusa Waterworks District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Minda Raybourn

Franklinton, Louisiana
June 17, 2019

Bogue Lusa Waterworks District, Louisiana
Schedule of Current Year Audit Findings
For the Year Ended December 31, 2018

Section 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes

No

Significant deficiencies identified that are not
considered to be material weaknesses?

Yes

No

Noncompliance material to the financial statements note?

Yes

No

Bogue Lusa Waterworks District, Louisiana
Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2018

Section 2—Compliance Findings

2017-1 Compliance with Bond Covenants

CRITERIA: The rate covenants for the "Water Revenue Refunding Bonds, Series 2016, specify: "The issuer, through its Governing Authority by proper resolutions and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each Fiscal Year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each Fiscal Year, the principal and interest maturing on the Outstanding Parity Bonds and the Bonds in each Fiscal Year and all other payments required for such Fiscal Year with respect thereto and as will provide Net Revenues in each fiscal year at least equal to 125% of the principal and interest falling due in such Fiscal Year on the Bonds, the Outstanding Parity Bonds, and any additional parity bonds or other obligations secured by or payable from the Net Revenues."

CONDITION: At December 31, 2017, the District's net revenue coverage was 91.25%.

CAUSE OF CONDITION: The District had an increase in operating expense of \$112,537 while operating revenues decreased \$7,200.

EFFECT OF CONDITION: The District was not in compliance with the bond covenants.

RECOMMENDATION: The District should monitor its net revenue requirements through the year and not just at year end. In January 2018, the District raised the minimum billing of water sales from \$18 to \$20. It should consider reviewing rates each year to ensure adequate coverage of the requirements of its bond agreement.

CLIENT RESPONSE: We will put in place procedures to follow the auditor's recommendation.

STATUS: Resolved.

Minda B. Raybourn
Certified Public Accountant
Limited Liability Company

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

Member
A.i.c.p.a.

member
l.c.p.a.

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Commissioners
Bogue Lusa Waterworks District
26070 Hwy. 21
Varnado, LA
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Bogue Lusa Water Works District (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase

orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions noted.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The board meets each month.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The minutes referenced financial statements and budget reports.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The District has an enterprise fund.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of bank accounts and management's representation were obtained.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Bank reconciliations are prepared monthly.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

There was no evidence that a member of management or board who does not handle cash reviewed the bank reconciliations.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites and management's representation were obtained.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations and management's representation were obtained. Written policies and procedures were obtained.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

There is one cash drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The District has an office manager, one full time clerk, and one part time clerk that handle cash collections. All employees are responsible for collecting cash. The office manager will prepare the bank deposit and one clerk will make the deposit at the bank. The office manager will reconcile the collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The external accountant posts collection entries to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The external accountant reconciles cash collections to the general ledger by revenue source.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Locations that process payments and management's representation were obtained.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

The systems manager can initiate a purchase request. The office manager approves the purchase. Both of these managers can order or make purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

The office manager processes payments to vendors. The bills are approved at the monthly board meeting by the board.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The District has an external accountant that can add or modify vendor files. The office manager processes the payments.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The office manager can sign checks along with one board member. The office manager can process payments. The board members do not.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

The non-payroll disbursement transaction population and management's representation were obtained.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

The disbursements are approved at the monthly board meeting as reflected in the minutes.

Credit Cards/Debit Cards/Fuel Cards/P-Cards. This procedure is not applicable as the District does not use cards.

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

- b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an

original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

A listing of travel expense reimbursements and management's representation were obtained.

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Per diems were within the rates established by the State.

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No transactions for actual cost reimbursement were in the sample.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

A listing of contracts and management's representation were obtained.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials and management's representation were obtained.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Daily attendance and leave were documented.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

The office manager approves the leave.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

The office manager records leave manually. It was observed leave accrued or taken is updated.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No employees were terminated during the year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Federal tax payments are made weekly. State tax payments are made quarterly. Workers' compensation premiums are paid yearly. Retirement payments were paid monthly. All forms were filed as required.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No exceptions noted.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

No debt was issued last year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted no misappropriations occurred during the fiscal year.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Minda Raybourn CPA
Franklinton, LA 70438

June 15, 2019