

CITY OF BOGALUSA, LOUISIANA

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

Year Ended December 31, 2014

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December 31, 2014**

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Independent Auditor's Report

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa Louisiana (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City'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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 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.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's discretely presented component units as described in Note 1 to the financial statements. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the City as of December 31, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, as of December 31, 2014, 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.

Emphases of Matters

As discussed in note 5 and 13b to the financial statements, the City is non-compliant with certain bond covenants regarding sinking fund requirements. The effects of this non-compliance are unknown at this time. Additionally, the City’s general fund reported a net deficit fund balance of \$1,353,251. Also, as described in Note 10 and 15a to the financial statements in 2014, the City of Bogalusa Employees’ Retirement System adopted a new accounting standard, GASB Statement No. 67, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. My opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Schedules of Funding Progress and Employer Contributions for its Post Employment Benefits, and the Budgetary Comparison Schedules, on pages 4-11, page 58, and pages 59 - 69, respectively 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 us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a Schedule of Changes in the City of Bogalusa Retirement System’s Net Pension Liability that Government Accounting Standards require be presented to supplement the basic financial statements. Such missing information, although not a required part of the 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

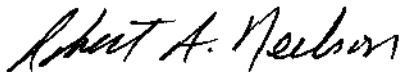
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bogalusa's basic financial statements as a whole. The information required by debt agreements, the Schedule of Compensation, Benefits and Other Payments to the Agency Head (compensation schedule), and the combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The compensation schedule is required by LA R.S. 24:513.

The combining and individual non-major fund financial statements and the compensation schedule required by state law are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The information required by debt agreements have 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 2, 2015, on my consideration of the City of Bogalusa, Louisiana's internal control over financial reporting and on my tests 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bogalusa, Louisiana
July 2, 2015

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

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

The Management Discussion and Analysis (MD&A) offers the readers of the City of Bogalusa's financial statements a narrative overview of the financial activities of the City of Bogalusa for the fiscal year ended December 31, 2014 and 2013. The City's financial performance is discussed and analyzed in correlation with the accompanying statements and disclosures following this section.

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

FINANCIAL HIGHLIGHTS

- The assets of the City of Bogalusa exceeded its liabilities and deferred inflows at the close of 2014 by \$30.62 million (total net position). Unrestricted net position is in a deficit position of \$14.74 million. This deficit position is the result of the City's non-capital related liabilities exceeding unrestricted assets. A major contributing factor to this unfavorable financial position is the City's unfunded obligation on its pension plan.
- During the year, expenses for governmental activities amounted to \$14.65 million. These expenses were paid from revenues of approximately \$14.68 million, consisting of \$9.63 million generated from taxes, \$1.48 million generated from other revenues for governmental programs, \$1.20 million generated from grants and contributions, and \$2.37 million generated from transfers from business-type activities.
- In the City's business-type activities, expenses amounted to approximately \$3.62 million. These expenses were paid from revenues of \$4.20 million for service charges and \$1.34 million for taxes and other program revenues.
- At the close of the fiscal year, the City of Bogalusa's governmental funds reported combined ending fund balances of \$1.96 million, an increase of approximately \$.152 million. This combined fund balance is largely attributable to amounts accumulated in the Industrial Complex Sales Tax Fund and several debt service funds. Most of these governmental fund balances, except that for the general fund, are restricted as to their use. Business-type funds reported \$11.50 million in total net position (including capital assets) for the close of the fiscal year, or a decrease of approximately \$.45 million from prior year total net position, largely because of transfers to the general fund.
- The general fund reported a deficit fund balance of \$1.35 million as of the end of the fiscal year. This unfavorable financial position in the City's primary operating fund signifies financial stress upon the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

Government-wide Statements

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

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

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

Fund Financial Statements

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

The City uses fifteen *governmental type funds*. There are four major governmental funds, which have separately presented information in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, the Industrial Complex Sales Tax Fund, the Landfill Fund, and the General Obligation Bond Sinking Fund. The eleven non-major funds are presented in the aggregate in the governmental fund financial statements. The individual fund financial information is presented in the combining statements found in the Supplemental Information.

The City has one *proprietary type fund*. Proprietary type funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's proprietary type fund is considered to be an enterprise fund, since the costs of activities are paid for by the customer user fees. The enterprise fund accounts for its Utilities System operations, which provides water, sewer, and garbage services.

Fiduciary type fund statements provide financial information on funds for which the City acts as a trustee or agent for the benefit of others, such as the City of Bogalusa Employees' Retirement System.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information (Budgetary Comparison Schedules, and the Schedule of Funding Progress and Employee Contributions for the City of Bogalusa Employees' Retirement System and OPEB), as well as supplemental information presented in the form of combining statements of individual fund financial information, detailed Budgetary Comparison Schedules for the General Fund, Schedule of Insurance In-force, and Public Utility System Operations.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City reported combined net position at the end of fiscal year 2014 in the amount of \$30,616,903, a decrease of \$427,837 from fiscal year 2013. The schedule of net position below indicates net position for both governmental activities and business-type activities, and combines them into total primary government columns.

Schedule of Net Position
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------------|----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 7.13 | \$ 6.23 | \$ 1.07 | \$ 1.17 | \$ 8.20 | \$ 7.40 |
| Capital assets | 31.63 | 31.97 | 18.30 | 19.40 | 49.93 | 51.37 |
| Total assets | 38.76 | 38.20 | 19.37 | 20.57 | 58.13 | 58.77 |
| Long-term debt outstanding | 14.64 | 14.95 | 7.57 | 8.28 | 22.21 | 23.23 |
| Other liabilities | 4.96 | 4.12 | 0.30 | 0.34 | 5.26 | 4.46 |
| Total liabilities | 19.60 | 19.07 | 7.87 | 8.62 | 27.47 | 27.69 |
| Deferred inflows | 0.04 | 0.04 | - | - | 0.04 | 0.04 |
| Net position | | | | | | |
| Net investment in capital assets | 28.97 | 28.71 | 13.00 | 13.56 | 41.97 | 42.27 |
| Restricted | 3.09 | 3.61 | 0.30 | 0.32 | 3.39 | 3.93 |
| Unrestricted | (12.94) | (13.23) | (1.80) | (1.93) | (14.74) | (15.16) |
| Total net position | \$ 19.12 | \$ 19.09 | \$ 11.50 | \$ 11.95 | \$ 30.62 | \$ 31.04 |

The largest portion of the City of Bogalusa's net position (137%) reflects net investment in capital assets (e.g. land, buildings, improvements, streets, bridges, equipment, vehicles, utility systems, and furniture and fixtures), less any related debt or deferred inflows used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Bogalusa's net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (-48%) represents a deficit that is a result of pension system debt and other liabilities exceeding assets available to pay those liabilities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

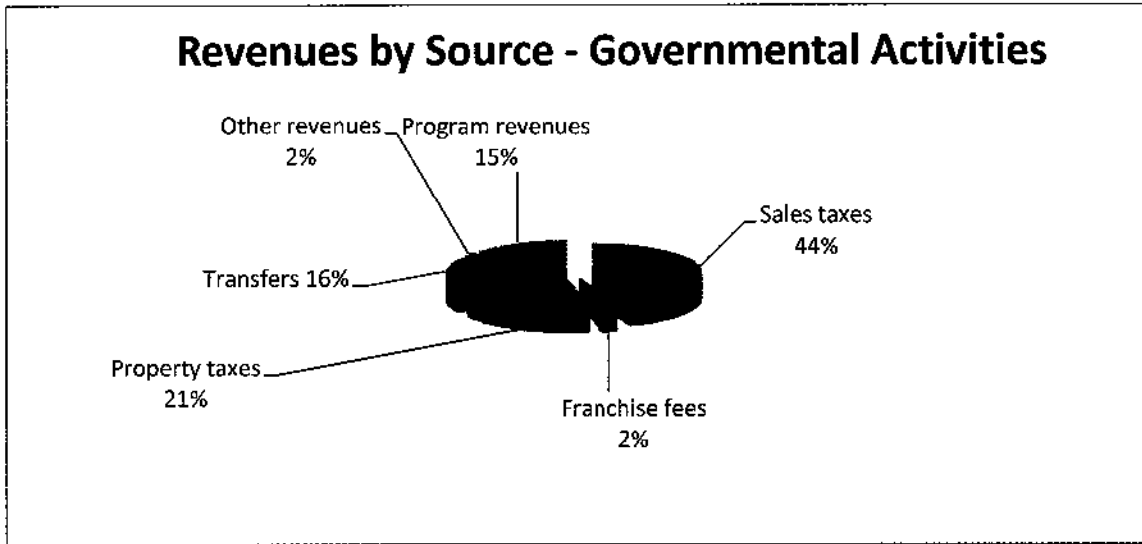
Changes in net position

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

| Changes in Net Position (in Millions) | | | | | | |
|--|----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 0.91 | \$ 0.86 | \$ 4.20 | \$ 3.96 | \$ 5.11 | \$ 4.82 |
| Oper. grants & contrib. | 0.72 | 0.78 | 0.19 | - | 0.91 | 0.78 |
| Capital grants & contrib. | 0.48 | 4.93 | - | 0.29 | 0.48 | 5.22 |
| General revenues: | | | | | | |
| Property and other taxes | 3.13 | 3.24 | 0.20 | 0.18 | 3.33 | 3.42 |
| Sales taxes | 6.50 | 6.32 | 0.89 | 0.86 | 7.39 | 7.18 |
| Franchise fees | 0.34 | 0.31 | - | - | 0.34 | 0.31 |
| Unrestricted interest | 0.02 | 0.03 | 0.05 | 0.04 | 0.07 | 0.07 |
| Miscellaneous | 0.19 | 0.36 | 0.01 | 0.03 | 0.20 | 0.39 |
| Gain (loss) on sale of assets | 0.02 | - | - | - | - | - |
| Transfers | 2.37 | 2.14 | (2.37) | (2.14) | - | - |
| Total revenues | 14.68 | 18.97 | 3.17 | 3.22 | 17.83 | 22.19 |
| Expenses: | | | | | | |
| General government | 4.55 | 6.44 | - | - | 4.55 | 6.44 |
| Public safety | 4.80 | 5.28 | - | - | 4.80 | 5.28 |
| Public works | 3.22 | 3.87 | - | - | 3.22 | 3.87 |
| Landfill | 0.42 | 0.36 | - | - | 0.42 | 0.36 |
| Culture & recreation | 0.35 | 0.40 | - | - | 0.35 | 0.40 |
| Economic development | 0.72 | 0.71 | - | - | 0.72 | 0.71 |
| Airport | 0.48 | 0.10 | - | - | 0.48 | 0.10 |
| Interest on long term debt | 0.11 | 0.11 | - | - | 0.11 | 0.11 |
| Water, sewer, & garbage | - | - | 3.62 | 3.46 | 3.62 | 3.46 |
| Total expenses | \$ 14.65 | \$ 17.27 | \$ 3.62 | \$ 3.46 | \$ 18.27 | \$ 20.73 |
| Change in net position | 0.03 | 1.70 | (0.45) | (0.24) | (0.44) | 1.46 |
| Net position, beginning | 19.09 | 17.39 | 11.95 | 12.19 | 31.04 | 29.58 |
| Net position, ending | \$ 19.12 | \$ 19.09 | \$ 11.50 | \$ 11.95 | \$ 30.60 | \$ 31.04 |

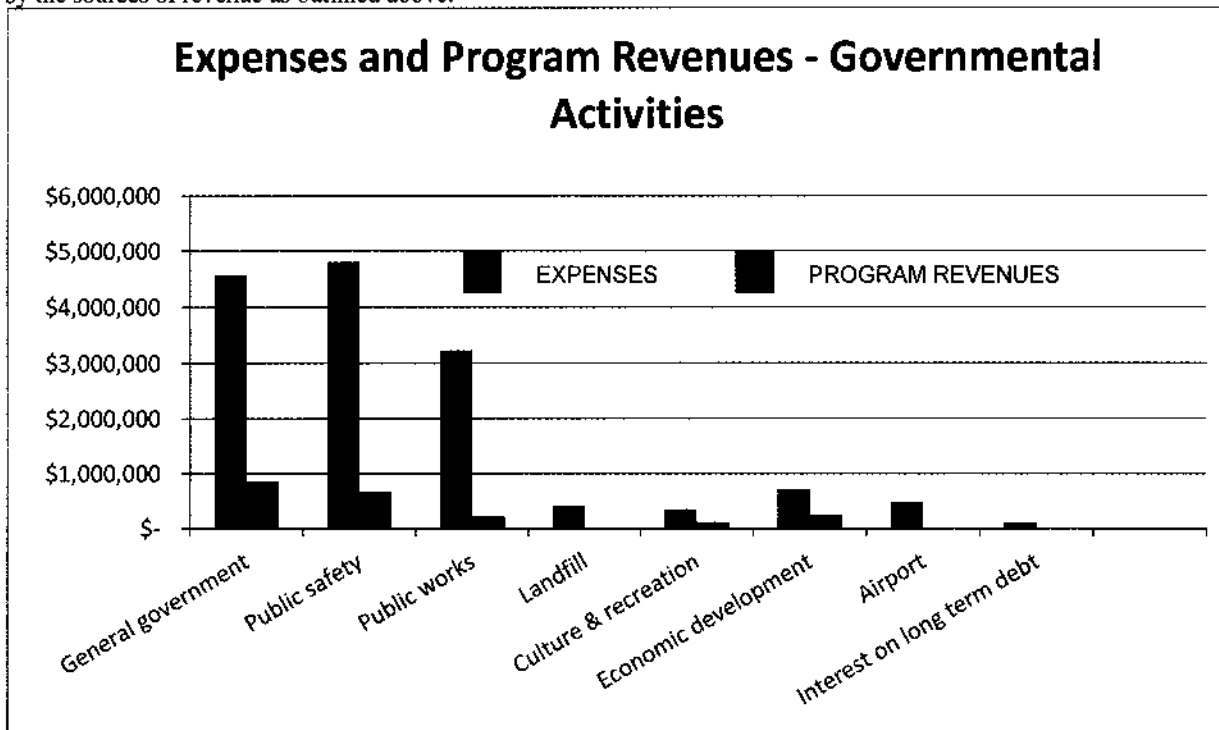
The City's net position within its governmental activities increased by \$27,175 because of revenues exceeding expenses for the year. However, revenues included a one-time donation of equipment from other local governments of public safety equipment with a value of \$65,000. Without that donation, a decrease in net position would have occurred. However, the City did experience a slight increase in sales tax revenue, a positive sign for revenue growth. Expenses decreased by \$2,613,535 primarily as a result of a decrease in the accrued pension cost. The City's net position within its business-type activities decreased by \$455,012, primarily due to an increase in the depreciation expense due to a change in estimated lives of water meters and because of transfers out of the fund to subsidize the general fund. On a combined basis, the City's change in net position, or net economic loss, was (\$427,837).

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)



Revenues for the City's governmental activities for the year ended December 31, 2014 were \$14,675,479. Sales tax and property tax revenues are the largest components of revenues (78%), exclusive of transfers in. Sales taxes represent approximately 53% of recurring government activity revenue, exclusive of transfers in, and totaled \$6,503,092 for 2014, an increase of 3% over 2013.

The cost of all governmental activities in 2014 was \$14,648,304, compared to \$17,261,839 in 2013, a decrease of 15% over the prior year largely attributable to the decrease in pension costs. These costs were essentially covered by the sources of revenue as outlined above.



The graph above shows the City's seven primary governmental activities in 2014, as well as long-term debt interest, compared to program-generated revenues covering those expenses. General revenues, such as taxes, cover the remaining costs.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

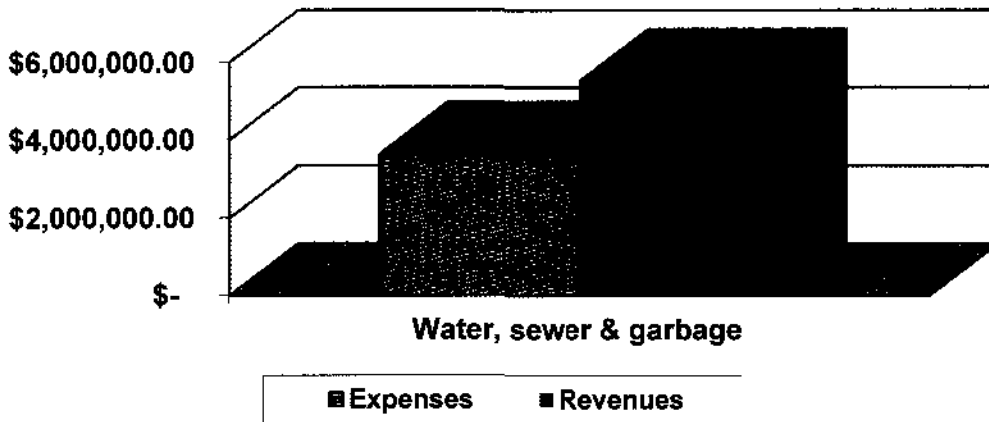
The following graph indicates business-type activities revenues by source:

Revenues by Source - Business-type Activities



Revenues for the City’s business-type activities for the year ended December 31, 2014 were \$5,540,284. User fees are by far the largest source of revenue (76%) for the City’s utility system and garbage collections. Sales tax revenue (16%) is largely dedicated to the payment of long-term debt incurred on the sewer system upgrade. The City’s utility system business-type activities are related to water, sewer, and garbage collection activities.

Expenses and Revenues - Business-type Activities



The above graph reveals that the utility system fully supports itself. Of the revenues generated from the utility system, the City was able to net transfer \$2,366,337 from the business-type activities to subsidize the governmental activities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended December 31, 2014, the City reported combined fund balances in *governmental funds* of approximately \$1.96 million, an increase of \$.152 million from 2013. The General Fund reported a deficit fund balance of approximately \$1.35 million at December 31, 2014, which represents a decrease in the deficit fund balance of approximately \$.72 million from 2013. The reduction of the fund deficit is primarily due to net transfers in of 3.4 million from the City's other funds to refund the General Fund for expenditures paid on behalf of the other funds and subsidies from the Utility Fund. The General Fund is the city's primary operating fund, and therefore, the deficit fund balance signifies operating cash shortages.

The largest fund balance (\$1.58 million) is reported in the Industrial Complex Sales Tax Fund. This fund experienced a \$.10 million decrease from 2013 largely due to an increase in expenditures. The landfill, debt service and other governmental funds report aggregate fund balances of approximately \$1.7 million, a decrease of \$.50 million over 2013. The balances within the Industrial Park Sales Tax Fund and the other governmental funds are, with minor exceptions, restricted as to use and cannot be used to fund general operations.

The Proprietary Fund (the Utility System) reported a decrease in net position, resulting from expenses and transfers exceeding revenue by .46 million. This bottom-line net income for the System included 1.17 million of depreciation expense, and therefore, the utility system's net income before depreciation, a measurement of operations commonly used in the private sector, was 1.92 million.

General Fund Budgetary Highlights

During the fiscal year, the 2014 budget was revised to reflect an anticipated decrease in revenues and decrease in expenditures. Actual results for 2014 showed revenues and transfers-in falling short of the final budget by \$343,750. Actual expenditures were \$517,251 more than budgeted.

The General Fund operated at a surplus (or net change in fund balance) of \$721,415 for 2014. When this operating surplus is subtracted to the already existing fund balance deficit of \$2,074,666 at the beginning of the year, the resulting general fund balance deficit at December 31, 2014 is \$1,353,251. Some of the level of net gains that were planned for 2014 through expenditure cuts and revenue increases in order to decrease the deficit fund balance was achieved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had invested \$49.9 million (net of depreciation) in a broad range of capital assets, including police, fire, and public works equipment, buildings, park facilities and road, sewer and water system infrastructures. The following table represents capital assets at December 31, 2014, at cost less accumulated depreciation:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| <u>COST</u> | | | | | | |
| Land | \$ 1,724,758 | \$ 1,724,758 | \$ - | \$ - | \$ 1,724,758 | \$ 1,724,758 |
| Buildings | 20,210,351 | 19,474,797 | 9,292,152 | 9,292,152 | 29,502,503 | 28,766,949 |
| Equipment | 4,102,142 | 3,888,024 | 417,018 | 395,851 | 4,519,160 | 4,283,875 |
| Infrastructure | 29,048,797 | 28,979,585 | 12,730,611 | 12,730,611 | 41,779,408 | 41,710,196 |
| Improvements | - | - | 13,391,315 | 13,349,584 | 13,391,315 | 13,349,584 |
| Other | - | 28,835 | 4,888,158 | 4,888,158 | 4,888,158 | 4,916,993 |
| | <u>\$ 55,086,048</u> | <u>\$ 54,095,999</u> | <u>\$40,719,254</u> | <u>\$ 40,656,356</u> | <u>\$ 95,805,302</u> | <u>\$ 94,752,355</u> |

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(UNAUDITED)

ACCUMULATED DEPRECIATION

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Buildings | \$ 9,717,860 | \$ 9,178,713 | \$ 7,920,626 | \$ 7,757,643 | \$ 17,638,486 | \$ 16,936,356 |
| Equipment | 2,607,762 | 2,662,980 | 395,841 | 368,828 | 3,003,603 | 3,031,808 |
| Infrastructure | 11,127,834 | 10,288,043 | 9,612,255 | 9,342,116 | 20,740,089 | 19,630,159 |
| Improvements and Other | - | - | 4,491,841 | 3,785,816 | 4,491,841 | 3,785,816 |
| | <u>\$ 23,453,456</u> | <u>\$ 22,129,736</u> | <u>\$ 22,420,563</u> | <u>\$ 21,254,403</u> | <u>\$ 45,874,019</u> | <u>\$ 43,384,139</u> |
| Capital | | | | | | |
| Assets, net | <u>\$ 31,632,592</u> | <u>\$ 31,966,263</u> | <u>\$ 18,298,691</u> | <u>\$ 19,401,953</u> | <u>\$ 49,931,283</u> | <u>\$ 51,368,216</u> |

In *governmental activities* the City reported a \$333,671 decrease in net capital assets over 2013. The decrease is largely due to the depreciation expense exceeding the capital asset additions during 2014. *Business-type activities* of the City reported a net decrease of \$1,103,262 in net capital assets compared to 2013, primarily as result of depreciation expense.

Long-Term Debt

At the end of the fiscal year 2014, the City had \$14,643,665 in outstanding debt and other long-term liabilities, including notes and bonds payable, pension obligations, claims payable, and accrued vacation and sick leave for its governmental activities. The outstanding notes and bonds payable are backed by the full faith and credit of the City of Bogalusa.

The City had \$7,567,833 outstanding in revenue bonds, certificates of indebtedness, pension obligations, claims payable, and compensated absences payable, in its business-type activities. The revenue bonds are backed solely by the revenue streams dedicated to payment of those bonds.

The net pension obligation increased by \$642,052 bringing the total pension obligation to \$12,205,389.

During the 2013 fiscal year, the City became obligated for asbestos remediation for condemned and demolished properties at an estimated cost of \$600,000. Approximately \$100,000 of the clean-up obligation has been satisfied as of December 31, 2013; however, approximately \$500,000 remains as a liability at December 31, 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the economic outlook looks promising for the nation as a whole for 2014, older and rural communities such as the City of Bogalusa face enormous challenges due to an aging and declining population and a stagnant tax base. In the midst of these challenges, the 2014 budget was prepared using reasonable estimates for revenues and anticipated expenditures. Sales taxes, the City's main revenue source, are expected to remain constant. Expenditures are expected to decrease due to implementation of cost cutting measures in an attempt to improve the City's financial condition.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, grantors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions concerning this report or need additional financial information, contact Stacy Smith at the City of Bogalusa's Administrative offices, located in City Hall at 202 Arkansas Avenue, Bogalusa, LA 70427.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS: | | | |
| Cash and cash equivalents | 3,532,583 | \$ 323,216 | \$ 3,855,799 |
| Property taxes receivable | 638,845 | 38,320 | 677,165 |
| Accounts receivable (net) | 1,361,543 | 633,815 | 1,995,358 |
| Internal Balances | 223,078 | (223,078) | - |
| Inventory | 7,766 | - | 7,766 |
| Restricted assets: | | | |
| Cash and cash equivalents | 370,302 | 296,632 | 666,934 |
| Other assets | - | - | - |
| Investment in joint venture - Choctaw Landfill | 992,539 | - | 992,539 |
| Capital assets: | | | |
| Land and construction in progress | 1,724,758 | - | 1,724,758 |
| Depreciable capital assets, net | 29,907,834 | 18,298,691 | 48,206,525 |
| TOTAL ASSETS | 38,759,248 | 19,367,596 | 58,126,844 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| | - | - | - |
| LIABILITIES: | | | |
| Accounts payable | 1,781,220 | 253,620 | 2,034,840 |
| Accrued expenses | 219,046 | 51,095 | 270,141 |
| Other payables | 866,323 | - | 866,323 |
| Certificates of indebtedness | 1,990,000 | - | 1,990,000 |
| Net post employment benefit liability | 105,874 | - | 105,874 |
| Long-term liabilities: | | | |
| Due within one year | 773,436 | 557,000 | 1,330,436 |
| Due beyond one year | 13,870,229 | 7,010,833 | 20,881,062 |
| TOTAL LIABILITIES | 19,606,128 | 7,872,548 | 27,478,676 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Resources received prior to time requirement | 31,265 | - | 31,265 |
| NET POSITION: | | | |
| Net investment in capital assets | 28,968,147 | 13,004,691 | 41,972,838 |
| Restricted for: | | | |
| Debt service | 1,034,426 | 296,632 | 1,331,058 |
| Industrial Complex | 1,581,315 | - | 1,581,315 |
| Landfill | 478,983 | - | 478,983 |
| Unrestricted | (12,941,016) | (1,806,275) | (14,747,291) |
| TOTAL NET POSITION | \$ 19,121,855 | \$ 11,495,048 | \$ 30,616,903 |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Primary Government

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---------------------------------------|-------------------------|--|-------------------------------------|--|-------------------------------------|------------------------|
| | Expenses | Fees, Fines, and Charges for Services | Grants and Contributions | Governmental Activities | Business-type Activities | |
| Function/Programs | | | | | | |
| Primary Government | | | | | | |
| Governmental: | | | | | | |
| General government | \$ 4,550,861 | \$ 497,168 | \$ 357,923 | \$ (3,695,770) | \$ - | \$ (3,695,770) |
| Public safety | 4,801,373 | 157,552 | 508,611 | (4,135,210) | - | (4,135,210) |
| Public works | 3,226,011 | - | 213,105 | (3,012,906) | - | (3,012,906) |
| Landfill | 418,072 | - | - | (418,072) | - | (418,072) |
| Culture and recreation | 347,250 | - | 112,604 | (234,646) | - | (234,646) |
| Economic development | 716,718 | 252,404 | - | (464,314) | - | (464,314) |
| Airport | 480,764 | - | 6,576 | (474,188) | - | (474,188) |
| Interest expense | 107,255 | - | - | (107,255) | - | (107,255) |
| Total governmental activities | <u>14,648,304</u> | <u>907,124</u> | <u>1,198,819</u> | <u>(12,542,361)</u> | <u>-</u> | <u>(12,542,361)</u> |
| Business-type: | | | | | | |
| Enterprise - Utilities | 3,628,959 | 4,200,738 | 191,671 | - | 763,450 | 763,450 |
| Total business-type activities | <u>3,628,959</u> | <u>4,200,738</u> | <u>191,671</u> | <u>-</u> | <u>763,450</u> | <u>763,450</u> |
| Total primary government | <u>\$ 18,277,263</u> | <u>\$ 5,107,862</u> | <u>\$ 1,390,490</u> | <u>\$ (12,542,361)</u> | <u>\$ 763,450</u> | <u>\$ (11,778,911)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | 3,094,088 | 203,399 | 3,297,487 |
| Sales taxes | | | | 6,503,092 | 885,998 | 7,389,090 |
| Other taxes | | | | 31,829 | - | 31,829 |
| Franchise fees | | | | 342,017 | - | 342,017 |
| Interest income | | | | 24,125 | 48,213 | 72,338 |
| Other | | | | 190,433 | 10,265 | 200,698 |
| Gain (loss) on sale of capital assets | | | | 17,615 | - | 17,615 |
| Transfers (net) | | | | 2,366,337 | (2,366,337) | - |
| Total general revenues | | | | <u>12,569,536</u> | <u>(1,218,462)</u> | <u>11,351,074</u> |
| Change in net position | | | | 27,175 | (455,012) | (427,837) |
| Net position, December 31, 2013 | | | | 19,094,680 | 11,950,060 | 31,044,740 |
| Net position, December 31, 2014 | | | | <u>\$ 19,121,855</u> | <u>\$ 11,495,048</u> | <u>\$ 30,616,903</u> |

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

| | <u>Special Revenue Funds</u> | | | <u>Debt Service Fund</u> | <u>Other Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------------------|-------------------------------------|----------------------|--|---|---------------------------------|
| | <u>General</u> | <u>Industrial Complex Sales Tax</u> | <u>Landfill Fund</u> | <u>General Obligation Bond Sinking Fund #1</u> | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 945,304 | \$ 1,403,822 | \$ 273,620 | \$ 259,632 | \$ 650,205 | \$ 3,532,583 |
| Investments in joint venture | - | - | 851,976 | - | - | 851,976 |
| Property taxes receivable | 430,140 | - | 68,978 | 42,558 | 97,169 | 638,845 |
| Accounts receivable | 829,393 | 88,192 | - | - | 443,958 | 1,361,543 |
| Due from other funds | 957,304 | 247,231 | 10,169 | 439,000 | 454,348 | 2,108,052 |
| Inventory of supplies | 7,766 | - | - | - | - | 7,766 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | - | - | - | 370,302 | 370,302 |
| TOTAL ASSETS | <u>3,169,907</u> | <u>1,739,245</u> | <u>1,204,743</u> | <u>741,190</u> | <u>2,015,982</u> | <u>8,871,067</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | - | - | - | - | - | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 3,169,907</u> | <u>\$ 1,739,245</u> | <u>\$ 1,204,743</u> | <u>\$ 741,190</u> | <u>\$ 2,015,982</u> | <u>\$ 8,871,067</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 1,506,835 | \$ (570) | \$ - | \$ - | \$ 274,955 | \$ 1,781,220 |
| Accrued expenses | 201,242 | - | - | - | - | 201,242 |
| Certificates of indebtedness | 1,990,000 | - | - | - | - | 1,990,000 |
| Due to other funds | 690,868 | 158,500 | - | 113,452 | 922,154 | 1,884,974 |
| Due to other governments | - | - | 866,323 | - | - | 866,323 |
| TOTAL LIABILITIES | <u>4,388,945</u> | <u>157,930</u> | <u>866,323</u> | <u>113,452</u> | <u>1,197,109</u> | <u>6,723,759</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Resources recovered prior to time requirement | 134,213 | - | 16,921 | 10,188 | 22,847 | 184,169 |
| FUND BALANCES | | | | | | |
| Non-spendable: | | | | | | |
| Prepaid expenses and other | - | - | 851,976 | - | - | 851,976 |
| Inventory of supplies | 7,766 | - | - | - | - | 7,766 |
| Restricted for: | | | | | | |
| Debt service | - | - | - | 617,550 | 458,853 | 1,076,403 |
| Capital projects | - | - | - | - | 305,269 | 305,269 |
| Maintenance | - | - | - | - | 130,247 | 130,247 |
| Special programs | 35,369 | 1,581,315 | - | - | 107,063 | 1,723,747 |
| Committed: | | | | | | |
| Park | 7,655 | - | - | - | - | 7,655 |
| Police forfeitures | 3,437 | - | - | - | - | 3,437 |
| Assigned: | | | | | | |
| Sitel | 285 | - | - | - | - | 285 |
| Unassigned | <u>(1,407,763)</u> | <u>-</u> | <u>(530,477)</u> | <u>-</u> | <u>(205,406)</u> | <u>(2,143,646)</u> |
| TOTAL FUND BALANCES (DEFICIT) | <u>(1,353,251)</u> | <u>1,581,315</u> | <u>321,499</u> | <u>617,550</u> | <u>796,026</u> | <u>1,963,139</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES | <u>\$ 3,169,907</u> | <u>\$ 1,739,245</u> | <u>\$ 1,204,743</u> | <u>\$ 741,190</u> | <u>\$ 2,015,982</u> | <u>\$ 8,871,067</u> |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

| | | |
|--|---------------------|----------------------|
| Fund balances December 31, 2014 - governmental funds | | \$ 1,963,139 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds: | | |
| Cost of capital assets at December 31, 2014 | 55,086,048 | |
| Less: accumulated depreciation as of December 31, 2014 | <u>(23,453,456)</u> | 31,632,592 |
| Property tax revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures: | | 152,904 |
| Equity interest in landfill joint venture not reported at fund level | | 140,563 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund liabilities: | | |
| Bonds payable | | (2,590,000) |
| Accrued interest payable | | (17,804) |
| Notes payable | | (444,747) |
| Net pension obligation payable | | (10,023,065) |
| Compensated absences | | (739,278) |
| Net OPEB benefits | | (105,874) |
| Claims and judgements payable | | <u>(846,575)</u> |
| Total net position at December 31, 2014 - governmental activities | | <u>\$ 19,121,855</u> |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Special Revenue Funds | | | Debt Service Fund | Other Non-Major Governmental Funds | Total Governmental Funds |
|--|-----------------------|------------------------------|-------------------|---|------------------------------------|--------------------------|
| | General | Industrial Complex Sales Tax | Landfill Fund | General Obligation Bond Sinking Fund #1 | | |
| Revenues: | | | | | | |
| Ad valorem taxes | \$ 2,096,178 | \$ - | \$ 334,884 | \$ 205,238 | \$ 447,673 | \$ 3,083,973 |
| Sales taxes | 3,219,976 | 554,412 | - | - | 2,728,704 | 6,503,092 |
| Other taxes | 31,829 | - | - | - | - | 31,829 |
| Licenses and permits | 422,765 | - | - | - | - | 422,765 |
| Franchise fees | 342,017 | - | - | - | - | 342,017 |
| Intergovernmental | 757,176 | - | - | - | 376,643 | 1,133,819 |
| Charges for services | 74,403 | - | - | - | - | 74,403 |
| Fines | 132,333 | - | - | - | - | 132,333 |
| Interest | 23,418 | 436 | 53 | 49 | 169 | 24,125 |
| Rent | - | - | - | - | 252,404 | 252,404 |
| Miscellaneous | 180,554 | - | - | - | 35,098 | 215,652 |
| Total revenues | <u>7,280,649</u> | <u>554,848</u> | <u>334,937</u> | <u>205,287</u> | <u>3,840,691</u> | <u>12,216,412</u> |
| Expenditures: | | | | | | |
| Current - | | | | | | |
| General government | 4,032,170 | - | - | - | - | 4,032,170 |
| Public safety | 4,045,261 | - | - | - | 875,424 | 4,920,685 |
| Public works | 1,359,895 | - | - | - | 879,601 | 2,239,496 |
| Landfill | - | - | 340,390 | - | - | 340,390 |
| Culture and recreation | - | - | - | - | 224,850 | 224,850 |
| Economic development | - | 197,004 | - | - | 175,506 | 372,510 |
| Airport | 112,013 | - | - | - | 1,279 | 113,292 |
| Capital outlay | 303,925 | 407,194 | - | - | 457,916 | 1,169,035 |
| Intergovernmental | 163,947 | - | - | - | - | 163,947 |
| Debt Service - | | | | | | |
| Capital lease payments | - | - | - | - | 293,113 | 293,113 |
| Bond principal | - | - | - | 360,000 | 110,000 | 470,000 |
| Bond interest | - | - | - | 40,799 | 68,747 | 109,546 |
| Total expenditures | <u>10,017,211</u> | <u>604,198</u> | <u>340,390</u> | <u>400,799</u> | <u>3,086,436</u> | <u>14,449,034</u> |
| Excess (deficiency) of revenues over expenditures | (2,736,562) | (49,350) | (5,453) | (195,512) | 754,255 | (2,232,622) |
| Other financing sources (uses): | | | | | | |
| Proceeds from sale of capital assets | 17,796 | - | - | - | - | 17,796 |
| Transfers to other funds | (62,680) | (50,000) | - | - | (1,173,562) | (1,286,242) |
| Transfers from other funds | 3,502,861 | - | - | - | 149,718 | 3,652,579 |
| Total other financing sources (uses) | <u>3,457,977</u> | <u>(50,000)</u> | <u>-</u> | <u>-</u> | <u>(1,023,844)</u> | <u>2,384,133</u> |
| Net change in fund balance | 721,415 | (99,350) | (5,453) | (195,512) | (269,589) | 151,511 |
| Fund balance (deficit), beginning | <u>(2,074,666)</u> | <u>1,680,665</u> | <u>326,952</u> | <u>813,062</u> | <u>1,065,615</u> | <u>1,811,628</u> |
| Fund balance (deficit), ending | <u>\$ (1,353,251)</u> | <u>\$ 1,581,315</u> | <u>\$ 321,499</u> | <u>\$ 617,550</u> | <u>\$ 796,026</u> | <u>\$ 1,963,139</u> |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - governmental funds \$ 151,511

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|-------------|-----------|
| Capital outlay and other capitalized purchases | 1,234,035 | |
| Depreciation expense | (1,567,525) | (333,490) |

| | | |
|---|-----------|-------|
| Add accumulated depreciation on capital assets disposed | 243,805 | |
| Less cost basis of assets retired during the year | (243,986) | (181) |

Change in deferral of revenues due to collection beyond 60 days 10,115

Non-current expenses of landfill operations, net of proportioned revenue (77,682)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

| | | |
|---|--|---------|
| Bond and capital lease principal payments | | 763,113 |
|---|--|---------|

Other changes in long-term obligations:

| | | |
|--------------------------------|-----------|-----------|
| Accrued interest payable | 2,291 | |
| Net pension obligation payable | (829,056) | |
| Compensated absences | 293,762 | |
| Net OPEB obligation | (36,337) | |
| Claims and judgements payable | 83,129 | (486,211) |

Change in net position of governmental activities \$ 27,175

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
ENTERPRISE (UTILITIES) FUND
DECEMBER 31, 2014

ASSETS

Current assets

| | | |
|-----------------------------|----|-----------|
| Cash and cash equivalents | \$ | 323,216 |
| Property taxes receivable | | 38,320 |
| Accounts receivable (net) | | 633,815 |
| Due from other funds | | 5,512 |
| Total current assets | | 1,000,863 |

Restricted assets

| | | |
|--------------------------------|--|---------|
| Customers' deposits - | | |
| Cash and cash equivalents | | 296,632 |
| Total restricted assets | | 296,632 |

Capital assets

| | | |
|--------------------------------|--|--------------|
| Construction in progress | | - |
| Capital assets, cost | | 40,719,254 |
| Less: accumulated depreciation | | (22,420,563) |
| Total capital assets | | 18,298,691 |

TOTAL ASSETS 19,596,186

DEFERRED OUTFLOWS OF RESOURCES -

LIABILITIES

Current liabilities:

| | | |
|----------------------------------|--|-----------|
| Accounts payable | | 253,620 |
| Accrued interest expense | | 38,995 |
| Accrued salaries | | 12,100 |
| Other payables | | - |
| Due to other funds | | 228,590 |
| Long-term debt, current | | 557,000 |
| Total current liabilities | | 1,090,305 |

Long-term liabilities:

| | | |
|------------------------------------|--|-----------|
| Compensated absences | | 91,509 |
| Net pension obligation | | 2,182,324 |
| Bonds payable | | 4,737,000 |
| Total long-term liabilities | | 7,010,833 |

TOTAL LIABILITIES 8,101,138

DEFERRED INFLOWS OF RESOURCES -

NET POSITION

| | | |
|----------------------------------|-----------|-------------|
| Net investment in capital assets | | 13,004,691 |
| Restricted for debt service | | 296,632 |
| Unrestricted | | (1,806,275) |
| TOTAL NET POSITION | \$ | 11,495,048 |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

OPERATING REVENUES:

| | |
|---------------------------------|------------------|
| Charges for service - | |
| Water, sewer and garbage fees | \$ 4,200,738 |
| Miscellaneous service revenues | 10,265 |
| Total operating revenues | <u>4,211,003</u> |

OPERATING EXPENSES:

| | |
|----------------------------------|------------------|
| Salaries and wages | 583,831 |
| Employee benefits | 179,966 |
| Change in net pension obligation | (187,004) |
| Utilities | 309,816 |
| Contractual services | 615,060 |
| Supplies and materials | 255,042 |
| Repairs | 493,498 |
| Gas and oil | 31,412 |
| Depreciation | 1,166,160 |
| Insurance and other | 11,785 |
| Total operating expenses | <u>3,459,566</u> |

INCOME FROM OPERATIONS 751,437

NON-OPERATING REVENUES (EXPENSES):

| | |
|---|------------------|
| Advalorem taxes | 203,399 |
| Sales taxes | 885,998 |
| Intergovernmental | 191,671 |
| Interest income | 48,213 |
| Interest expense | (169,393) |
| Total nonoperating revenues (expenses) | <u>1,159,888</u> |

Net income before transfers 1,911,325

 Transfers to other funds (2,366,337)

CHANGE IN NET POSITION (455,012)

NET POSITION:

| | |
|-----------------------------------|----------------------|
| Balance, beginning of year | <u>11,950,060</u> |
| Balance, end of year | <u>\$ 11,495,048</u> |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------|
| Cash received from customers | \$ 4,241,885 |
| Cash paid to suppliers | (1,757,660) |
| Cash paid to employees | (743,347) |
| Net cash provided by operating activities | 1,740,878 |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|---|-------------|
| Advalorem taxes | 201,415 |
| Sales taxes | 849,239 |
| Due to other funds (net change in) | 29,125 |
| Transfers to other funds | (2,366,337) |
| Net cash used in non-capital financing activities | (1,286,558) |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|---|-----------|
| Intergovernmental grants (capital) | 171,494 |
| Principal payments on debt | (543,000) |
| Interest paid on debt | (172,110) |
| Acquisition of capital assets | (62,898) |
| Net cash used in capital financing activities | (606,514) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------------------|--------|
| Investment income | 58,462 |
|-------------------|--------|

| | |
|---|----------|
| Net change in cash and cash equivalents | (93,732) |
|---|----------|

| | |
|--|---------|
| Cash and cash equivalents at beginning of year | 713,580 |
|--|---------|

| | |
|--|------------|
| Cash and cash equivalents at end of year | \$ 619,848 |
|--|------------|

Reconciliation to the Statement of Net Position:

| | |
|--|------------|
| Cash and cash equivalents - current | \$ 323,216 |
| Cash and cash equivalents - restricted | 296,632 |
| | \$ 619,848 |

(continued)

The accompanying notes are an integral part of these statements.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

Page 2 of 2

Reconciliation of net income to net cash provided by operating activities:

| | | |
|---|-----------|------------------|
| Income from operations | \$ | 751,437 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | | 1,166,160 |
| Bad debt expense | | 149,653 |
| Change in assets and liabilities: | | |
| Receivables | | (118,771) |
| Accounts payable | | (40,074) |
| Other payables | | (973) |
| Compensated absences | | 20,414 |
| Accrued salaries | | 36 |
| Net pension obligation | | (187,004) |
| Net cash provided by operating activities | <u>\$</u> | <u>1,740,878</u> |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF PLAN NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
JUNE 30, 2014

| | | |
|---|------------------|----------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | | \$ 199,420 |
| Receivables: | | |
| Member contributions | 17,531 | |
| Employer contributions | 220,785 | |
| Accrued interest | <u>18,090</u> | |
| | | 256,406 |
| Investments at fair market value: | | |
| Fixed income assets | 2,368,712 | |
| Value equity assets | 1,707,916 | |
| Growth equity assets | <u>1,424,495</u> | |
| Total investments | | <u>5,501,123</u> |
| TOTAL ASSETS | | <u><u>5,956,949</u></u> |
| | | |
| <u>LIABILITIES</u> | | <u>819</u> |
| | | |
| <u>NET POSITION OF PENSION PLAN ASSETS</u> | | <u><u>\$ 5,956,130</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS

| | |
|---|------------------|
| Contributions: | |
| Members | 127,923 |
| Employer | 407,112 |
| Total contributions | <u>535,035</u> |
| Investment income: | |
| Net appreciation in fair value of investments | 720,410 |
| Interest and dividends | 126,058 |
| | <u>846,468</u> |
| Less: investment fee expense | <u>(32,348)</u> |
| Net investment income | <u>814,120</u> |
| Total additions | <u>1,349,155</u> |

DEDUCTIONS

| | |
|--------------------------|----------------|
| Benefits | 891,233 |
| DROP withdrawals | 44,048 |
| Refunds of contributions | 38,984 |
| Administrative expenses | 460 |
| Other | 325 |
| Total deductions | <u>975,050</u> |

INCREASE IN NET POSITION 374,105

NET POSITION OF PENSION PLAN ASSETS:

| | |
|-----------------------|---------------------|
| Beginning of the year | <u>5,582,025</u> |
| End of the year | <u>\$ 5,956,130</u> |

The accompanying notes are an integral part of this statement.

**NOTES TO THE PRIMARY GOVERNMENT
FINANCIAL STATEMENTS**

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

INTRODUCTION

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

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 61 established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

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

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

Component Unit Included

City of Bogalusa Employees' Retirement System (COBERS) – COBERS is a legally separate organization, but is fiscally dependent upon the City. It meets the definition of a component unit, and is blended into the basic financial statements as a Fiduciary Type Fund.

Component Units Omitted

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

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

Christmas in the Park Commission (the Commission) – The Commission was created on November 1, 1995 by Ordinance No. 1588. The Commission is governed by an eleven-member board appointed by the Mayor, with approval of the City Council. The Commission advises the Mayor and the City Council, stimulates public interest and accepts donations to enhance holiday lighting and activities.

Bogalusa Community Arena Commission (the Commission) – The Bogalusa Community Arena Commission is governed by an eleven-member board appointed by the Mayor with approval of the Council. The Commission was established by Ordinance No. 1607 dated June 21, 1995 and amended on December 20, 1995 by Ordinance No. 1623.

Bogalusa Parks and Recreation Commission (the Commission) – The Bogalusa Parks and Recreation Commission is governed by a seventeen-member board appointed by the Mayor with the approval of the Council. The Commission was established by Ordinance No. 824 dated March 6, 1973.

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

Administrative Offices

City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

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

Ms. Stacy Smith
Director of Administration
City of Bogalusa, Louisiana
Post Office Box 11 79
Bogalusa, LA 70429

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

Related Organizations

Housing Authority of Bogalusa - The Mayor, with confirmation of the City Council, appoints all five Commissioners of the Housing Authority of Bogalusa. However, no further contact or influence exists.

Washington Economic Development Foundation, Inc. - The Mayor appoints one member and the City Council appoints two members of the thirty member Board of Directors of Washington Economic Development Foundation, Inc., which is a non-profit corporation exempt from federal income tax under Internal Revenue Code Section 501 (c)(3).

Joint Ventures

Choctaw Road Landfill (the Joint Venture) - The City is a participant with the Washington Parish Government (the Parish) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenue and operating costs were 58.1% for the Parish and 41.9% for the City. The Parish's share of costs has been funded by a dedicated one percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs has been funded by an ad valorem tax and the issuance of general obligation bonds. Complete financial statements for the Joint Venture can be obtained from the Washington Parish Government at the parish courthouse in Franklinton, LA.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Bogalusa have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private Sector Standards of Accounting issued on or prior to November 30, 1989 generally are followed in both the government wide financial statements and the proprietary fund type financial statements. The City has applied GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which eliminates the option for business-type activities to follow new FASB pronouncements, although they may continue to be applied as “other accounting literature.”

A. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

B. Fund Financial Statements

Emphasis of fund financial reporting is on the major fund level in either the governmental or business-type categories. Major funds are presented alone in a separate column, while non-major funds are summarized into a single column in the basic financial statements.

The daily accounts and operations of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund, both major and non-major, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped into generic fund types and broad fund categories as presented below, along with identification of major funds.

Governmental activities presented as governmental funds in the fund financial statements:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Financial Statements (continued)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specified purposes. The two special revenue funds reported as major funds in the fund financial statements are as follows:

The Industrial Complex Sales Tax Fund accounts for the ¼-cent sales tax dedicated to improvement maintenance of the City's Industrial Park.

The Landfill Fund accounts for the receipt of a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities for the city, including acquisition of land therefore. This fund also accounts for the City's investment in operations of the Choctaw Road Landfill, a joint venture with the Washington Parish Government.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. One debt service fund is reported as a major fund, the General Obligation Bond Sinking fund number 1 fund, which holds and collects monies for the retirement of the series 2012 General Obligation Refunding Bonds, which refunded the 1998 General Obligation Sewer Bonds.

Capital Projects Fund – Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). There are no major capital projects funds.

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the City of Bogalusa Employees' Retirement System (COBERS) as a fiduciary fund since the City acts in a fiduciary capacity for the benefit of the employees. Assets held in this fund are segregated from the City's general operating assets and are not subject to the claims of general creditors.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

COBERS is a single-employer pension plan that covers most permanent City employees except policemen and firemen. The COBERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period, while intergovernmental (grant) revenues are considered available if received within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the City's investment policy allow the City to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. The City has no investments.

The City of Bogalusa Employees Retirement System's (COBERS) cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the COBERS investment policy allow the COBERS to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds investing in debt and equity securities, as well as direct equity investments all within limitations for each type of investment.

E. Activity Between Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

F. Summary of Authorized Ad Valorem and Sales Taxes

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Summary of Authorized Ad Valorem and Sales Taxes (continued)

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

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

The following is a summary of authorized and levied ad valorem taxes.

| <u>Fund Type</u> | <u>Purpose</u> | <u>Authorized Mills</u> | <u>Levied Mills</u> | <u>Expiration Date</u> |
|------------------|---|-------------------------|---------------------|------------------------|
| General | General purpose | 10.84 | 10.84 | Indefinite |
| General | Maintenance, equipment, operations and salaries of municipal employees | 3.64 | 3.62 | 2017 |
| General | Fire department maintenance | 2.75 | 2.71 | 2017 |
| General | Maintenance and operation of municipal services | 2.65 | 2.71 | 2019 |
| General | Retirement for police department, fire department, and general city employees | 7.79 | 7.79 | 2019 |
| General | City of Bogalusa Employees' Retirement System | 2.75 | 2.75 | 2015 |
| Debt Service | Street Improvement Bonds | 2.75 | 2.75 | Indefinite |
| Special Revenue | Parks and Recreation Facilities | 2 | 2 | 2019 |
| Special Revenue | Municipal Buildings | 2 | 2 | 2019 |
| Special Revenue | Landfill | 5 | 5 | 2021 |
| Enterprise | Sewer and water works | 2.71 | 2.71 | 2017 |
| Debt Service | Paying bonds and interest | 4.95 | 3.01 | Indefinite |
| | Total | <u>49.83</u> | <u>47.89</u> | |

The following is a summary of authorized sales taxes.

| <u>Fund Type</u> | <u>Purpose</u> | <u>Percent</u> | <u>Expiration Date</u> |
|------------------|---------------------------------|----------------|------------------------|
| Special Revenue | Street and drainage maintenance | 0.25 | 05/31/17 |
| Special Revenue | Capital improvements | 0.15 | 05/31/17 |
| Enterprise | Water and sewer maintenance | 0.15 | 05/31/17 |
| General | General operations | 0.45 | 05/31/17 |
| Special Revenue | Industrial complex maintenance | 0.25 | Indefinite |
| Special Revenue | Employee salaries and benefits | 0.50 | Indefinite |
| Special Revenue | Jail operations | 0.33 | Indefinite |
| General | General operations | 1.00 | Indefinite |
| Enterprise | Wastewater system improvement | 0.25 | 02/01/23 |
| | Total | <u>3.33</u> | |

G. Inventories and Prepaid Expenses

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

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

I. Capital Assets

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

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

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

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> |
|-------------------------------------|------------------------|
| Roads, bridges, and infrastructure | 20-40 years |
| Buildings and building improvements | 25-40 years |
| Furniture and fixtures | 5-10 years |
| Vehicles | 5 years |
| Equipment | 5-10 years |

J. Compensated Absences

Vacation and sick leave in each department is governed by a different union contract and in the case of fire and police, civil service and other state laws.

Public Works Department and Finance Department/General Government:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate department head. The union contract calls for payment for unused vacation at the end of the year. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

Sick leave is earned at a rate of 2 days a month and is cumulative up to 260 days. An employee can be paid for up to 20 days of sick leave at separation. The days earned, but not taken, up to 260 days are kept on the books until an employee separates.

Comp time or bank time is earned at 1.5 times the hours actually worked at an overtime rate. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

J. Compensated Absences (continued)

Fire Department and Police Department:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate chief. The City's practice is to pay an employee for up to 90 days at separation, yet the city allows an employee to bank more vacation in the event he or she needs to use it for an emergency.

Comp time or bank time was earned at 1.5 times the hours actually worked at an overtime rate. Currently, bank time is unlimited.

GASB Statement No. 16 *Accounting for Compensated Absences* requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate employees for benefits through cash payments conditioned on the employees' termination or retirement. The City has recorded the following liabilities as of December 31, 2014 for certain salary-related benefits associated with the payment of compensated absences:

1. Accrued and unused vacation for each employee valued at the employees' current rate of pay.
2. Accrued and unused sick leave up to the maximum to be paid upon termination.
3. A total of 100% of the compensatory leave for each employee valued at the employees' current rate of pay.

In the government-wide financial statements and the propriety fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No.6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at December 31, 2014, in the governmental fund financial statements. The liquidation of the compensated absence liabilities will be paid proportional to funds in which the compensation was paid.

K. Fund Balance

The City reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides definitions of fund balance categories that are designed to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantor, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority by a vote of the City Council; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governmental body delegates the authority such as the City's management;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which other fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

L. Accounts Receivable

Accounts receivable are reported net of an allowance for uncollectables. The more significant accounts receivable are recorded for amounts due from governments in the governmental activities and funds, and for customers' accounts in the business-type activities and the utility fund. Customer Utility accounts are estimated to be uncollectable upon coming sixty days past due. Amounts due from governments are estimated to be uncollectable based upon the facts and circumstances of the grant agreement or funding source.

M. Net Position

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position (continued)

Restricted net position reflects net position when there are limitations imposed on a net position's use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

N. Estimates

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

O. New Pronouncements

GASB Statement No. 67, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, became effective for the City of Bogalusa Employees' Retirement System (COBERS) in fiscal year beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. **COBERS financial statements included in this report include GASB Statement No. 67 reporting and disclosures.**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement--determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. New Pronouncements (continued)

Management of the City is currently assessing the impact of these new pronouncements on the financial statements.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- a. The Mayor submits to the council a proposed operating budget at least forty-five days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and total anticipated revenues.
- b. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it.
- c. At least ten days prior to the date of such hearing, the council publishes in the official journal a general summary of the proposed budget.
- d. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is legally enacted through passage of an ordinance, no later than the twenty-seventh day of the last month of the calendar year.
- e. Budgetary amendments involving the transfer of funds from one department, office, or agency to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the adoption of an ordinance by the Council.
- f. Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended.
- g. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended from time to time by the City Council.

3. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS

A. City of Bogalusa

At December 31, 2014, the City had cash (book balances) totaling \$4,522,733 consisting primarily of demand deposit accounts at local banks. These deposits were 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.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned. Under the state law, all deposits are required to be secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Bogalusa's name. At December 31, 2014, the City's bank balances amounted to \$5,031,695. Of the bank balances, \$500,000 was covered by federal depository insurance and \$4,411,393 was protected against custodial credit risk by collateral held by the pledging banks' trust department or agent in the City's name at December 31, 2014.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

A. City of Bogalusa (continued)

The City has one bank account that was exposed to custodial credit risk of \$120,302 that represents the amount on deposit that exceeded the federal depository insurance and with no collateral pledged in accordance with Louisiana Revised Statute 39:1224.

B. City of Bogalusa Employees' Retirement System (COBERS)

Cash and Cash Equivalents:

At June 30, 2014, cash and cash equivalents consisted of \$134,150 invested in short-term money market mutual funds and \$65,270 in a commercial checking account. The commercial checking account is insured by the Federal Deposit Insurance Corporation up to \$250,000, while the money market funds are not subject to custodial credit risk.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Person Rule. The Prudent-Person Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Person Rule, the System's investment policy allows for fifty percent of the total portfolio to be invested in equity securities and fifty percent to be invested in fixed income securities consisting of U.S. Government and U.S. corporation bonds and notes. Rebalancing occurs when the investment weight of the categories varies by five percent or more.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of an organization.

In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of the fixed income portfolio's market value unless otherwise authorized by the Board. Investments in FHLB, FNMA US Treasury Notes represent a concentration greater than 5% of total investments as of June 30, 2014. These issuers' percentages of total fixed income were 6.73%, 5.05%, and 6.10%, respectively.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counter party to an investment will not fulfill its obligations. The following are credit risk ratings of the System's investments in long-term debt securities as of June 30, 2014.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS)

Below is a schedule of debt securities owned with their applicable ratings:

| Rating | Corporate Bonds | Municipal Bonds | Federal Home Loan Mortgage Corp. | Federal National Mortgage Association | Federal Home Loan Bank | Government National Mortgage Association | US Treasury Notes | Mutual Fund | Total |
|--------|-------------------|-------------------|----------------------------------|---------------------------------------|------------------------|--|-------------------|-------------------|---------------------|
| A1 | \$ 105,455 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 105,455 |
| A2 | 211,732 | 109,992 | - | - | - | - | - | 200,109 | 521,833 |
| A3 | 100,977 | 108,410 | - | - | - | - | - | - | 209,387 |
| Aa1 | - | 146,501 | - | - | - | - | - | - | 146,501 |
| Aa3 | 100,562 | 69,434 | - | - | - | - | - | - | 169,996 |
| Aaa | - | - | 17,476 | 360,444 | 189,853 | 73,596 | 148,908 | - | 790,277 |
| Baa1 | 223,265 | - | - | - | - | - | - | - | 223,265 |
| Baa3 | 201,998 | - | - | - | - | - | - | - | 201,998 |
| | <u>\$ 943,989</u> | <u>\$ 434,337</u> | <u>\$ 17,476</u> | <u>\$ 360,444</u> | <u>\$ 189,853</u> | <u>\$ 73,596</u> | <u>\$ 148,908</u> | <u>\$ 200,109</u> | <u>\$ 2,368,712</u> |

The System's investment policy limits its investments to corporate debt issues rated equivalent of B or better by Standard & Poor's or B2 by Moody's Investor Services. If securities fall to a CCC rating, they are to be eliminated in a timely manner.

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name. The System was not exposed to custodial credit risk as of June 30, 2014. However, the System does not have a policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. The holding period of an investment security can be an indicator of interest rate risk exposure. As of June 30, 2014, the System had the following investments in long-term debt securities and maturities:

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

Interest Rate Risk: (continued)

| | Fair Value | Less Than 1 Year | 1-5 Years | 6-10 Years | Greater Than 10 Years |
|-------------------|---------------------|-------------------|-------------------|-------------------|--------------------------|
| Corporate Bonds | \$ 943,989 | \$ 306,994 | \$ 413,730 | \$ 223,265 | \$ - |
| Municipal Bonds | 434,337 | - | 325,927 | 108,410 | - |
| FHLMC | 17,476 | - | - | 17,476 | - |
| FNMA | 360,444 | - | 35,414 | - | 325,030 |
| FHLB | 189,853 | - | 27,475 | 162,378 | - |
| GNMA | 73,596 | - | 12,966 | - | 60,630 |
| US Treasury Notes | 148,908 | - | 148,908 | - | - |
| Mutual Fund | 200,109 | 200,109 | - | - | - |
| | <u>\$ 2,368,712</u> | <u>\$ 507,103</u> | <u>\$ 964,420</u> | <u>\$ 511,529</u> | <u>\$ 385,660</u> |

The System has no formal policy regarding interest rate risk.

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The holding periods for the collateralized mortgage obligations above are based on maturity dates of the securities.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends, period aging and prior write-offs of similar accounts receivable, receivables balances, and sales and franchise tax collections.

Accounts receivable at December 31, 2014 were as follows:

| <u>Governmental Activities:</u> | Sales Taxes | Grants | Other | Total |
|---|---------------------|---------------------|-------------------|---------------------|
| General Fund | \$ 511,301 | \$ 3,440 | \$ 314,652 | \$ 829,393 |
| Industrial Complex Sales Tax | 88,192 | - | - | 88,192 |
| Non-Major Governmental Funds | 433,794 | - | 10,164 | 443,958 |
| Total | <u>\$ 1,033,287</u> | <u>\$ 3,440</u> | <u>\$ 324,816</u> | <u>\$ 1,361,543</u> |
| | | Customer Utility | | |
| <u>Business-type Activities:</u> | Sales Taxes | Accounts | Other | Total |
| Operating Fund | \$ 141,036 | \$ 1,361,589 | \$ 85,894 | \$ 1,588,519 |
| Allowance for Uncollectible Accounts | - | (954,704) | - | (954,704) |
| Total | <u>\$ 141,036</u> | <u>\$ 406,885</u> | <u>\$ 85,894</u> | <u>\$ 633,815</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

5. CASH RESTRICTED UNDER DEBT AGREEMENTS

At December 31, 2014, the City held restricted cash required by bond covenants pertaining to the \$2,670,000 Revenue Refunding Bonds 2012, \$2,000,000 Water Revenue Bonds 2009A and \$3,000,000 Water Revenue Bonds 2009B as follows:

| | |
|--|-------------------|
| Wastewater Improvement Sales Tax | \$ 48,906 |
| Sewer Sales Tax Bond Reserve Account | 226 |
| Water Revenue Bond Reserve Account | 147,161 |
| Water Revenue Bond Sinking Account | 88 |
| Water Revenue Bond Contingency Account | <u>100,251</u> |
| Total business-type activities restricted cash | <u>\$ 296,632</u> |

The City is required by its Loan and Pledge Agreement with the Louisiana Department of Health and Hospitals pursuant to the issuance of the 2009A and B bonds (See note 13) to make monthly deposits into its water revenue bond and sinking fund cash accounts. Additionally, the Water Revenue Bond Reserve Account and the Water Revenue Contingency Accounts are required to maintain minimum balances. As of December 31, 2014, the City had not fully funded the Water Revenue Bond Sinking Account nor had it maintained the required minimum balance.

On July 31, 2012, the City issued Revenue Refunding Bonds, Series 2012, in the amount of \$2,670,000. The City is required to make monthly deposits into its sinking fund cash account. As of December 31, 2014, the City had not created a sinking fund cash account and therefore, had not made the monthly required deposits.

At December 31, 2014, the City held restricted cash of \$370,302 remaining for the issuance of the Louisiana Municipal Capital lease proceeds in 2013. The City expects to use the remaining capital lease proceeds for the purchase of capital assets during 2015.

6. NET INVESTMENT IN CHOCTAW ROAD LANDFILL

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

| | |
|---|-------------------|
| Current financial resources (current assets less current liabilities) presented in the Fund Financial Statements | \$ 851,976 |
| Other economic resources (net capital assets less landfill closure and post closure care costs) | <u>140,563</u> |
| Net investment in joint venture | <u>\$ 992,539</u> |

The City recognized expense of \$418,072 in the Governmental Statement of Activities representing the City's share of the net costs of operating the landfill.

A liability of \$866,323 is recorded as other payable in the Governmental Statement of Activities and in the landfill fund; \$543,823 of which is in arrears at December 31, 2014.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

7. CAPITAL ASSETS

A. Governmental Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2014:

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--|-----------------------|--------------------|---------------------|-----------------------|
| <u>Cost</u> | | | | |
| Land | \$ 1,724,758 | \$ - | \$ - | \$ 1,724,758 |
| Construction in progress | 28,835 | 303,925 | (332,760) | - |
| | <u>1,753,593</u> | <u>303,925</u> | <u>(332,760)</u> | <u>1,724,758</u> |
| <u>Depreciated</u> | | | | |
| Buildings | 19,474,797 | 735,554 | - | 20,210,351 |
| Infrastructure | 28,979,585 | 69,212 | - | 29,048,797 |
| Furniture and equipment | 3,888,024 | 458,104 | (243,986) | 4,102,142 |
| | <u>52,342,406</u> | <u>1,262,870</u> | <u>(243,986)</u> | <u>53,361,290</u> |
| <u>Less: accumulated depreciation</u> | | | | |
| Buildings | (9,178,713) | (539,147) | - | (9,717,860) |
| Infrastructure | (10,288,043) | (839,791) | - | (11,127,834) |
| Furniture and equipment | (2,662,980) | (188,587) | 243,805 | (2,607,762) |
| | <u>(22,129,736)</u> | <u>(1,567,525)</u> | <u>243,805</u> | <u>(23,453,456)</u> |
| Net capital assets being depreciated | <u>30,212,670</u> | <u>(304,655)</u> | <u>(181)</u> | <u>29,907,834</u> |
| Total capital assets, net | <u>\$ 31,966,263</u> | <u>\$ (730)</u> | <u>\$ (332,941)</u> | <u>\$ 31,632,592</u> |

Depreciation expense for the year ended December 31, 2014 was charged to the following governmental functions:

| | |
|------------------------|---------------------|
| General government | \$ 96,221 |
| Public safety | 115,120 |
| Public works | 563,515 |
| Culture and recreation | 99,011 |
| Economic Development | 344,208 |
| Airport | 349,450 |
| | <u>\$ 1,567,525</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

7. **CAPITAL ASSETS** (continued)

B. Business-type Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2014:

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--|-----------------------|-----------------------|-------------|-----------------------|
| <u>Cost</u> | | | | |
| Water and sewer plant | \$ 9,292,152 | \$ - | \$ - | \$ 9,292,152 |
| Sewer treatment plant | 2,682,688 | - | - | 2,682,688 |
| Water well | 1,686,604 | - | - | 1,686,604 |
| Collection system | 2,744,249 | - | - | 2,744,249 |
| Sewer pumping system | 1,398,264 | - | - | 1,398,264 |
| Water line | 4,218,806 | - | - | 4,218,806 |
| Equipment and vehicles | 395,851 | 21,167 | - | 417,018 |
| Sewer treatment improvements | 13,349,584 | 41,731 | - | 13,391,315 |
| Water meter | 4,888,158 | - | - | 4,888,158 |
| | <u>\$40,656,356</u> | <u>62,898</u> | <u>-</u> | <u>40,719,254</u> |
| <u>Less: accumulated depreciation</u> | | | | |
| Water and sewer plant | (7,757,643) | (162,983) | - | (7,920,626) |
| Sewer treatment plant | (2,664,946) | (1,610) | - | (2,666,556) |
| Water well | (667,938) | (91,151) | - | (759,089) |
| Collection system | (2,538,429) | (68,606) | - | (2,607,035) |
| Sewer pumping system | (1,349,049) | (2,363) | - | (1,351,412) |
| Water line | (2,121,754) | (106,409) | - | (2,228,163) |
| Equipment and vehicles | (368,828) | (27,013) | - | (395,841) |
| Sewer treatment improvements | (3,495,857) | (336,522) | - | (3,832,379) |
| Water meter | (289,959) | (369,503) | - | (659,462) |
| Total accumulated depreciation | <u>(21,254,403)</u> | <u>(1,166,160)</u> | <u>-</u> | <u>(22,420,563)</u> |
| Total capital assets, net | <u>\$ 19,401,953</u> | <u>\$ (1,103,262)</u> | <u>\$ -</u> | <u>\$ 18,298,691</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

8. INTERFUND BALANCES

From time to time, cash may be borrowed between funds or costs may be fronted by one fund for another fund resulting in interfund balances. The amounts are not expected to be repaid within one year as they depend on the timing of receipts in other funds. The following interfund balances exist at December 31, 2014.

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|--------------------------------------|---------------------------------|-------------------------------|
| <u>Governmental Funds:</u> | | |
| General Fund | \$ 957,304 | \$ 690,868 |
| Industrial Complex Sales Tax Fund | 247,231 | 158,500 |
| Landfill Fund | 10,169 | - |
| General Obligation Bond Sinking Fund | 439,000 | 113,452 |
| Nonmajor governmental funds | 454,348 | 922,154 |
| <u>Proprietary Funds:</u> | | |
| Utility System | <u>5,512</u> | <u>228,590</u> |
| | <u>\$ 2,113,564</u> | <u>\$ 2,113,564</u> |

9. INTERFUND TRANSFERS

Transfers between funds occur to provide reimbursement of certain operating costs and are not expected to be repaid. Transfers between funds during 2014 occurred as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------------|---------------------|----------------------|
| <u>Governmental Funds:</u> | | |
| General Fund | \$ 3,502,861 | \$ 62,680 |
| Industrial Complex Sales Tax Fund | - | 50,000 |
| Nonmajor governmental funds | 149,718 | 1,173,562 |
| <u>Proprietary Funds:</u> | | |
| Utility System | <u>-</u> | <u>2,366,337</u> |
| | <u>\$ 3,652,579</u> | <u>\$ 3,652,579</u> |

10. ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana sends a check monthly for approximately \$500 directly to each individual fireman and policeman that is qualified and has been employed by the City for at least one year. Policemen received a total of \$242,034, and the firemen received \$181,416 in 2014. The total payments of \$423,450 have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

11. SHORT-TERM DEBT

The City borrows money during the year to finance expenditures for general operations that are budgeted evenly throughout the year, which are expected to be paid from ad valorem tax revenues collected at year-end.

Short-term debt activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Funds Borrowed | Repayments | Ending Balance |
|------------------------------|----------------------|-------------------|----------------|----------------|
| Certificates of Indebtedness | \$ 1,800,000 | \$ 1,990,000 | \$ (1,800,000) | \$ 1,990,000 |

The borrowings for 2014 were advanced to the City through a series of certificates of indebtedness bearing interest at prime minus 2.00%.

12. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

a. Activities

Long-term liability activity of governmental activities for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|------------------------------------|----------------------|-------------------|-----------------------|----------------------|-----------------------------------|
| Bonds Payable | \$ 3,060,000 | \$ - | \$ (470,000) | \$ 2,590,000 | \$ 480,000 |
| Notes Payable: | | | | | |
| Capital One-Fire Trucks | 22,888 | - | (22,888) | - | - |
| Louisiana Municipal Lease (equip.) | 714,972 | - | (270,225) | 444,747 | 278,436 |
| Net Pension Obligation | 9,194,009 | 966,624 | (137,568) | 10,023,065 | - |
| Compensated Absences | 1,033,040 | - | (293,762) | 739,278 | - |
| Claims and Judgments | 429,704 | - | (83,129) | 346,575 | 15,000 |
| Pollution Remediation Obligations | 500,000 | - | - | 500,000 | - |
| | <u>\$ 14,954,613</u> | <u>\$ 966,624</u> | <u>\$ (1,277,572)</u> | <u>\$ 14,643,665</u> | <u>\$ 773,436</u> |

b. Bonds Payable

On October 4, 2012, the City issued General Obligation Refunding Bonds, Series 2012, in the amount of \$2,200,000 in order to refund the General Obligation Sewer Bonds, Series 1998 which had a balance of \$2,154,105 at the time of issuance of the refunding bonds. The City is required to create a sinking fund account and maintain a minimum balance. As of December 31, 2014, the City had maintained the required minimum balance. Bonds Payable were as follows at December 31, 2014:

| | Date of Issuance | Original Balance | Ending Balance |
|--|---------------------|---------------------|---------------------|
| General Obligation Refunding Bonds, Series 2012, 2.25 – 2.5% | 10/4/2012 | \$ 2,200,000 | \$ 1,505,000 |
| General Obligation 2007, 4.125 – 6.0% | 10/1/2007 | 1,750,000 | 1,085,000 |
| | | <u>\$ 3,950,000</u> | <u>\$ 2,590,000</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

12. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS (continued)

c. Notes Payable

In 2009, the City obtained financing for the purchase of a fire truck and eight police cars through a lease-financing arrangement with Capital One Bank. The lease agreement for the fire truck is in the amount of \$246,387, bearing interest at 4.86%, payable in 60 monthly installments. The lease agreement for the eight police cars was repaid in 2012 with the fire truck being repaid in 2014.

In 2013, the City obtained financing for the purchase of various vehicles and heavy equipment through a lease-financing arrangement with Government Capital Corporation, a Texas corporation. The lease-financing agreement, for \$825,000, required the placement of the financing proceeds into escrow from which draws were to be made upon purchase of the assets. As of December 31, 2014, \$454,698 had been disbursed from the account while \$370,302 remained in escrow. The City pays \$23,997 per month to service the debt with an interest rate of 3%.

d. Annual debt service requirements of bonds and notes payable

The annual requirements to service all debts outstanding are as follows for the next five years and for five year increments thereafter:

| | Bonds Payable | | | Notes Payable | | |
|-----------|---------------------|-------------------|---------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 480,000 | \$ 77,999 | \$ 557,999 | \$ 278,436 | \$ 9,525 | \$ 287,961 |
| 2016 | 490,000 | 64,593 | 554,593 | 166,311 | 1,665 | 167,976 |
| 2017 | 505,000 | 50,273 | 555,273 | - | - | - |
| 2018 | 525,000 | 34,788 | 559,788 | - | - | - |
| 2019 | 140,000 | 23,595 | 163,595 | - | - | - |
| 2020-2022 | 450,000 | 31,325 | 481,325 | - | - | - |
| | <u>\$ 2,590,000</u> | <u>\$ 282,573</u> | <u>\$ 2,872,573</u> | <u>\$ 444,747</u> | <u>\$ 11,190</u> | <u>\$ 455,937</u> |

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS

a. Activity

Long-term debt activity of business-type activities for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|------------------------|---------------------|-------------------|---------------------|---------------------|-----------------------------|
| Bonds Payable | 5,837,000 | \$ - | \$ (543,000) | 5,294,000 | 557,000 |
| Net Pension Obligation | 2,369,328 | 210,463 | (397,467) | 2,182,324 | - |
| Compensated Absences | 71,095 | 20,414 | - | 91,509 | - |
| | <u>\$ 8,277,423</u> | <u>\$ 230,877</u> | <u>\$ (940,467)</u> | <u>\$ 7,567,833</u> | <u>\$ 557,000</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS (continued)

b. Bonds Payable

The City entered into a series of agreements with the Louisiana Department of Health and Hospitals (the Department) as part of the Build America Bonds Program whereby the Department has committed to loan the City up to \$5,000,000 to fund construction of a water meter system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the City will be evidenced through the Series 2009A and 2009B bonds in the amounts of \$2,000,000 and \$3,000,000, respectively, and these bonds will mature in 20 principal installments, payable annually on each September 1 beginning in 2011. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 2.95% and payment thereof began March 1, 2010 and continues to occur semi-annually thereafter.

The 2009A series bonds were funded with amounts provided under the American Recovery and Reinvestment Act (ARRA). One half of the 2009A bond funds advanced to the City is forgivable as a debt upon advancement. The City received no advances of 2009A bond funds during 2014 as the bonds were fully funded during 2012.

The City is required to create reserve accounts and maintain minimum balances within that account and to make monthly deposits into a sinking fund. As of December 31, 2014, the City had not made the required minimum deposits to the sinking fund account.

On July 31, 2012, the City issued Revenue Refunding Bonds, Series 2012, in the amount of \$2,670,000 in order to refund the Sales Tax Sewer Bonds, Series 1998, Sewer Revenue Bonds, Series 1998 and the Sewer Revenue Bonds, Series 1999 which had balances of \$1,395,000, \$630,000 and \$880,000, respectively, at the time of issuance of the refunding bonds. The remaining balance on the refunded bonds was paid with the cash in the reserve accounts as set aside for the sewer bonds. The City is required to make monthly deposits to a sinking fund. As of December 31, 2014, the City had not created such accounts and therefore, had not made the required deposits to those accounts.

Bonds outstanding were as follows at December 31, 2014:

| | Date of Issuance | Original Balance | Ending Balance |
|--|---------------------|---------------------|---------------------|
| Water Revenue Bonds, Series 2009A, 2.95% | Various | 1,000,000 | 879,000 |
| Water Revenue Bonds, Series 2009B, 2.95% | Various | 3,000,000 | 2,510,000 |
| Revenue Refunding Bonds, Series 2012, 2.25 – 2.5% | 7/31/2012 | 2,670,000 | 1,905,000 |
| | | <u>\$ 6,670,000</u> | <u>\$ 5,294,000</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS (continued)

c. Annual debt service requirements

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

| | Bonds Payable | | |
|-----------|---------------|--------------|--------------|
| | Principal | Interest | Total |
| 2015 | \$ 557,000 | \$ 140,819 | \$ 697,819 |
| 2016 | 573,000 | 126,970 | 699,970 |
| 2017 | 582,000 | 112,776 | 694,776 |
| 2018 | 602,000 | 97,719 | 699,719 |
| 2019 | 501,000 | 82,890 | 583,890 |
| 2020-2024 | 1,038,000 | 306,033 | 1,344,033 |
| 2025-2029 | 1,185,000 | 144,521 | 1,329,521 |
| 2030 | 256,000 | 3,776 | 259,776 |
| | \$ 5,294,000 | \$ 1,015,504 | \$ 6,309,504 |

14. LEGAL DEBT MARGIN

Computation of the legal debt margin for general obligation bonds payable from ad-valorem tax is as follows. The City is within its allowed legal debt limitation.

Ad-valorem taxes:

Assessed valuation, 2014 tax rolls \$ 69,288,970

Debt limit: 35% of assessed valuation \$ 24,251,140

General obligation bonds outstanding at December 31, 2014,
secured by ad-valorem tax \$ 2,590,000

15. PENSION PLANS

a. City of Bogalusa Employees' Retirement System

Plan Description:

Plan administration. The City of Bogalusa Employees' Retirement System (COBERS) administers the City of Bogalusa Pension Plan - a single-employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City. The City's Home Rule Charter grants the authority to establish and amend the benefit terms to the COBERS Board of Trustees (COBERS Board).

Management of the plan is vested in the COBERS Board, which consists of nine members-five elected by plan members.

Membership: Participation is mandatory for virtually all full-time non-fire and non-police employees who are employed on a permanent basis, and are under the age of 60 years on the date of employment.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

15. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

The membership of the plan at June 30, 2014 is as follows:

| | |
|---|------------|
| <i>Retirees & beneficiaries receiving benefits</i> | 60 |
| <i>Terminated plan members entitled to but not yet receiving benefits</i> | - |
| Active plan members | <u>78</u> |
| Total | <u>138</u> |

Description of Benefits: Members become benefit eligible at age 60 with 10 years of service or age 50 with 25 years of service. The normal benefit is equal to two and two-thirds percent of average salary for each year of total service and any fractional part of a year of service. The minimum amount of benefit is 25% of average salary, while maximum benefit is 66 2/3% of average salary. Under the joint and survivor option, 75% of benefits are paid and continue to the surviving spouse until death or remarriage. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

Contributions: Plan members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2014, the City contributed \$224,112 in employer contributions or 11% of covered payroll. Additionally, the City contributed \$182,990 for the year ended June 30, 2014 which represents the net assessment of the 2.75 mills property tax from 2013 that is dedicated to the system. Contribution requirements of the plan members are established and may be amended by state law.

Annual Pension Cost and Net Pension Obligation: During 1996, the City implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. The GASB required, among other things, that the liability balance of the Net Pension Obligation (NPO) be recognized as general long-term debt. The NPO has been defined as the cumulative difference since 1986 between annual pension cost and the employer's contributions to the plan.

The City's annual pension cost and net pension obligation to the COBERS, calculated in accordance with GASB 27, for the year ended June 30, 2014 were as follows:

| | |
|---|----------------------|
| Annual required contribution | \$ 1,313,689 |
| Interest on net pension obligation | 711,786 |
| Adjustment to annual required contribution | <u>(848,388)</u> |
| Annual pension cost | 1,177,087 |
| Contributions made | <u>(535,035)</u> |
| Increase in net pension obligation | 642,052 |
| Net pension obligation beginning of year | <u>11,563,337</u> |
| Net pension obligation end of year | <u>\$ 12,205,389</u> |
| Recorded in the Statement of Net Position: | |
| Governmental activities | 10,023,065 |
| Business-type activities | <u>2,182,324</u> |
| Total | <u>\$ 12,205,389</u> |

The City continued to accrue the net pension obligation in accordance with GASB 27 since the adoption of GASB 68 will be required for the following year December 31, 2015.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

15. PENSION PLANS (continued)

a. **City of Bogalusa Employees' Retirement System** (continued)

The annual required contribution for 2014 was determined as part of a June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions under that valuation included (a) 6.50% investment rate of return and (b) projected payroll increases of 2.50% per year of employment. The actuarial value of assets was determined at market value. The unfunded actuarial accrued liability is being amortized as a level percentage of annual compensation. As of June 30, 2013, the amortization period expired and was re-set starting in 2014 with another amortization period of 30 years.

While the City continues to account for pension costs under GASB Statement No. 27, the Plan (the Trust or COBERS) adopted GASB Statement No. 67 *Financial Reporting for Pension Plans* effective for its fiscal year ended June 30, 2014. Implementation of this new accounting standard required among other things, measurement of a net pension liability measured using prescribed methods and assumptions and resulted in higher pension liabilities than were measured under GASB Statement No. 25.

Net Pension Liability: The components of the net pension liability of the COBERS at June 30, 2014, were as follows:

| | |
|--|----------------------|
| Total pension liability | \$ 24,343,388 |
| Plan fiduciary net position | <u>(5,055,270)</u> |
| Net pension liability | <u>\$ 19,288,118</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 20.77% |

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.5 percent |
| Salary increases | 4.5 percent, average, including inflation |
| Investment rate of return | 6.5 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the 2014 optional combined table for small plans.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

15. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------|---|
| Value portfolio | 7.7% |
| Growth portfolio | 8.4% |
| Fixed income | (2.5%) |
| Cash and short-term | (3.0%) |

Discount rate. The discount rate used to measure the total pension liability was 3.208 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City's contributions will be made at current levels. Based on those assumptions, the pension plan's fiduciary net position was projected to exhaust its assets by 2021, at which time the burden of paying the benefits would shift directly to the City. Therefore, the long-term expected rate of return on pension plan investments of 6.5% was applied to all periods up to that date, and a rate of 3.05% is assumed thereafter.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 3.208 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.208 percent) or 1-percentage-point higher (4.208 percent) than the current rate:

| | 1% Decrease | Applied Discount Rate | 1% Increase |
|------------------------------|---------------------|--------------------------|---------------------|
| | <u>(2.208%)</u> | <u>(3.208%)</u> | <u>(4.208%)</u> |
| City's net pension liability | <u>\$22,055,649</u> | <u>\$19,288,118</u> | <u>\$16,065,591</u> |

b. Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a cost sharing, multiple-employer, defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

Funding policy: Plan members are required by state statute to contribute 10.0 percent of their annual covered salary to the System, and the City is required to make contributions at an actuarially determined rate. The rate paid by the City during 2014 was 31.00% of covered payroll for the first six months and 31.50% percent for the last six months of the year. The contribution requirements of plan members and the City of Bogalusa are established and amended by state statute.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

15. PENSION PLANS (continued)

b. Municipal Police Employees Retirement System of Louisiana (MPERS) (continued)

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended December 31, 2014, 2013, and 2012 totaled \$585,340, \$577,573, and \$476,763, respectively.

c. Firefighters' Retirement System (FRS)

Plan description: All of the City's full time fire employees participate in the FRS, a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Plan members are required by state statute to contribute 10% of their salary to the system, and the City is required to make contributions at an actuarially determined rate. The rate paid by the City during the 2014 was 28.25% of covered payroll for the first six months and 29.25 percent for the last six months of the year. The contribution requirements of the plan members and the employer are established by, and may be amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Bogalusa's contributions to the FRS during the years ended December 31, 2014, 2013, and 2012 totaled \$329,748, \$381,456, and \$331,296, respectively.

Beginning with the 2015 fiscal year and the adoption of GASB Statement No. 68, the net pension liability of the COBERS, as well as a proportional share of the MPERS and FRS plans will be recognized on the City's statements of Net Position. This new accounting standard will also require certain deferred outflows, inflows, and pension expenses to be recorded.

16. RISK MANAGEMENT

Litigation and General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City attempts to minimize risk from significant losses by participating in a public entity risk pool. According to the participation contract, the City transfers all risk to the public entity risk pool. The City is only responsible for the payment of premiums and deductibles on claims; the public entity risk pool is responsible for the payment of claims excluding the deductible.

On December 31, 2014, the City was a defendant in a number of lawsuits and other claims arising from the normal course of operations; most of which were being defended through the City's participation on the public entity risk pool. However, some of the claims were not covered through the risk pool and were thus handled through other hired counsel. The City Attorney has advised that his position on the suits covered under insurance is that they should be defended and/or settled within the policy limits. The lawsuits and claims not covered by insurance are also being vigorously defended. The ultimate disposition of all of these matters is unknown as of the date of issuance of these financial statements; however, certain of these matters could materially affect the City's financial condition if rulings are made in favor of the plaintiff or if the City chooses to settle these matters.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

16. RISK MANAGEMENT (continued)

Litigation and General Liability (continued)

A liability of approximately \$15,000 is recorded in the accompanying financial statements for claims or other matters related to such exposure.

Worker's Compensation

In prior years, the City had a self-insured retention (deductible) of \$175,000 for worker's compensation. In 2009, the city purchased a full coverage worker's compensation insurance policy. No deductible is required; therefore, no reserve liability exists for claims incurred from 2009 forward. However, a liability is recorded in the Governmental Activities long-term debt for the City's retained risk pertaining to claims incurred prior to 2009 that remain open as of December 31, 2014 in the amount of \$331,575.

Past Due Amounts

The City was in arrears to the public entity risk pool in which it participates for premiums due and amounts owed for past self-insured worker's compensation claims. The total amount owed to the risk pool entity was approximately \$600,000 at December 31, 2014. These amounts owed are included in accounts payable of the General Fund.

17. GRANTS FROM OTHER GOVERNMENTAL UNITS

Federal and state governmental units provide an important source of supplementary funding used to finance employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded throughout all of the City's fund types. A grant receivable is recorded when the City has a right to reimbursement under the related grant, which is generally at the time an eligible expenditure has been incurred.

Most grants received by the City specify the purpose for which the grant monies are to be used and are subject to audit by the granting agency or, in the case of federal grants, the Single Audit Act. These audits may result in disallowed cost on previously received reimbursements requiring the City to return the funds to the grantor. Any potential return of funds is accounted for in accordance with FASB Statement No 5, Accounting for Contingencies, as made applicable under GASB Statement 62.

Grants and contribution revenues are to be categorized between operating and capital. The following categorization supports the grants and contribution revenues reported in the Statement of Activities:

| <u>Function/Program</u> | <u>Operating</u> | <u>Capital</u> | <u>Total</u> |
|----------------------------------|-------------------|-------------------|--------------------|
| <u>Governmental Activities:</u> | | | |
| General government | \$ 63,922 | \$ 294,001 | \$ 357,923 |
| Public safety | 443,611 | 65,000 | 508,611 |
| Public works | 213,105 | - | 213,105 |
| Culture and recreation | - | 112,604 | 112,604 |
| Airport | - | 6,576 | 6,576 |
| | <u>720,638</u> | <u>478,181</u> | <u>1,198,819</u> |
| <u>Business-type Activities:</u> | | | |
| Utilities | 191,671 | - | 191,671 |
| | <u>\$ 912,309</u> | <u>\$ 478,181</u> | <u>\$1,390,490</u> |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

18. LEASES OF CITY PROPERTY

The City of Bogalusa has operating leases for various buildings, land and improvements. The lease's terms range from five years to fifteen years. Operating lease income for December 31, 2014 was \$252,404. The following is a schedule of future minimum lease commitments:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2015 | \$ 308,502 |
| 2016 | 263,502 |
| 2017 | 157,100 |
| 2018 | 86,100 |
| 2019 | <u>69,000</u> |
| | <u>\$ 884,204</u> |

19. COMPENSATION PAID TO CITY COUNCIL AND MAYOR

| <u>Name</u> | <u>Title</u> | <u>Amount</u> |
|----------------------------|---------------------------|------------------|
| Wendy Perrette | City Council – At Large | \$ 7,200 |
| Doug (Frank) Ritchie | City Council – At Large | 7,800 |
| Penny Williams | City Council – District A | 7,200 |
| Michael O'Ree | City Council – District B | 7,200 |
| Oneita Graham | City Council – District C | 7,200 |
| Theodore (Judson) Drummond | City Council – District D | 7,200 |
| Randy Hodges | City Council – District E | <u>7,200</u> |
| | | <u>\$ 51,000</u> |

20. OPERATING ENVIRONMENT AND FINANCIAL DEFICIENCIES

Deficit fund balances exist in the following funds:

| | |
|---------------------------------|--------------|
| General Fund | \$ 1,353,251 |
| Youth Recreation and Parks Fund | 205,406 |
| Landfill Fund (unassigned) | 530,477 |

The General Fund's liabilities exceed currently available resources to satisfy those liabilities. This condition signifies financial difficulties for the City. This condition is the result of increasing operating and personnel costs over a period of six years and transfers to capital project funds to pay for infrastructure and capital improvements. If the fund balance is not brought into a positive position and a higher level of fund balance is not maintained, the City's operations could be severely hampered. Additionally, if operating surpluses are not achieved in future years in the other funds listed above sufficient to reverse the deficit position, then those funds' obligations may also fall to the general fund. The City's administration is aware of the cash flow and fund balance issues and has developed a plan for strengthening the City's financial condition through expenditure reductions and revenue increases.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

20. OPERATING ENVIRONMENT AND FINANCIAL DEFICIENCIES (continued)

The Youth Recreation and Parks fund exceeded its currently available resources due to the expenditures of the construction of a new sprinkler park built during the year that is recorded in this fund. This deficit is expected to be resolved in the subsequent year through reduction in operating expenditures and transfers from other funds.

The Landfill Fund's deficit is a result of increased costs of operating the landfill including those necessary for compliance with EPA requirements to currently fund a portion of closure and post-closure costs.

The covenants of the Water Revenue Bonds, Series 2009 A and B (see note 13), and the Revenue Refunding Bonds, Series 2012 (see note 13) require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the assets, revenue and expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds. The City was non-compliant with these requirements of the bonds as of December 31, 2014.

21. APPROPRIATIONS IN EXCESS OF BUDGET

The actual expenditures exceeded the budgetary appropriation by more than 5% for the following functions:

| | <u>Appropriations</u> | <u>Actual</u> |
|-------------------|-----------------------|---------------|
| General Fund: | | |
| Public safety | \$ 3,816,410 | \$ 4,045,261 |
| Public works | 1,218,680 | 1,359,895 |
| Capital Outlay | - | 303,925 |
| Intergovernmental | 156,460 | 163,947 |

State law requires a budgetary amendment to be adopted when total actual expenditures are expected to exceed budgeted appropriations by more than 5%.

22. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Bogalusa's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service.

Life insurance coverage is available to retirees upon retirement. The employer pays 100% of the "cost" of the retiree life insurance, but it is based on the blended rate and there is therefore an additional implied employer subsidy. Since GASB 45 requires the use of "unblended" rates, the City has used the 94GAR mortality table to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance. Retiree insurance coverage amounts are a flat \$2,500. Retirees who had medical coverage at retirement have \$17,500 of life insurance coverage until age 65, and \$2,500 thereafter.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

22. OTHER POST EMPLOYMENT BENEFITS (continued)

Contribution Rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy

Until 2010, the City of Bogalusa recognized the cost of providing post-employment medical and life insurance benefits (the City of Bogalusa's portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2014 and 2013, the City of Bogalusa's portion of health care and life insurance funding cost for retired employees totaled \$41,447 and \$38,377, respectively.

Effective January 1, 2010, the City of Bogalusa implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution

The City of Bogalusa's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

| | 2014 | 2013 |
|------------------------------------|-----------|-----------|
| Normal Cost | \$ 26,692 | \$ 25,666 |
| 30-year UAL amortization amount | 52,331 | 50,318 |
| Annual required contribution (ARC) | \$ 79,023 | \$ 75,984 |

Post-employment Benefit Obligation (Asset)

The table below shows the City of Bogalusa's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

| | 2014 | 2013 |
|---|------------|-----------|
| Annual required contribution | \$ 79,023 | \$ 75,984 |
| Interest on Net OPEB Obligation (Asset) | 2,782 | 1,300 |
| ARC Adjustment | (4,021) | (1,880) |
| OPEB Cost | 77,784 | 75,404 |
| Contribution | - | - |
| Current year retiree premium paid | (41,447) | (38,377) |
| Change in Net OPEB Obligation (Asset) | 36,337 | 37,027 |
| Ending Net OPEB Obligation (Asset) | \$ 105,874 | \$ 69,537 |

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

22. OTHER POST EMPLOYMENT BENEFITS (continued)

Post-employment Benefit Obligation (Asset) (continued)

The following table shows City of Bogalusa's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability for last year and this year:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual Cost Contributed</u> | <u>Net OPEB Obligation (Asset)</u> |
|--------------------------|-------------------------|--|------------------------------------|
| December 31, 2014 | \$ 77,784 | 53.28% | \$ 105,874 |
| December 31, 2013 | \$ 75,404 | 50.89% | \$ 69,537 |
| December 31, 2012 | \$ 73,153 | 48.57% | \$ 32,510 |
| December 31, 2011 | \$ 82,127 | 101.14% | \$ 5,109 |

Funded Status and Funding Progress

In 2014 and 2013, the City of Bogalusa made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2014 was \$941,139 which is defined as that portion, as determined by a particular actuarial cost method (the City of Bogalusa uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| Actuarial Accrued Liability (AAL) | \$ 941,139 | \$ 904,941 |
| Actuarial Value of Plan Assets (AVP) | - | - |
| Unfunded Act. Accr. Liability (UAAL) | 941,139 | 904,941 |
| Funded Ratio (AVP/AAL) | 0.00% | 0.00% |
| | | |
| Covered Payroll (active plan members) | \$ 6,103,959 | \$ 5,895,097 |
| UAAL as a percentage of covered payroll | 15.42% | 15.35% |

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Bogalusa and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Bogalusa and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Bogalusa and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

22. OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%. In addition, based on past experience it was assumed that 50% of retirees decline medical coverage upon retirement because of the required retiree contribution.

Turnover Rate

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%. In addition, based on past experience it was assumed that 50% of retirees decline medical coverage upon retirement because of the required retiree contribution.

Post Employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlement to benefits will commence four years after initial eligibility to enter the D.R.O.P., as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

22. OTHER POST EMPLOYMENT BENEFITS (continued)

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The retirees pay 100% of the "cost" of medical benefits, but it is based on "blended" rates (the rates are a blend of the active and retired rates). Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates for retired before Medicare eligibility to be 130% of the blended rate. Retiree medical coverage ceases at age 65.

Inflation Rate

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

| | OPEB Costs and Contributions | | |
|--|------------------------------|-----------|-----------|
| | FY 2012 | FY 2013 | FY 2014 |
| OPEB Cost | \$ 73,153 | \$ 75,405 | \$ 77,784 |
| Contribution | - | - | - |
| Retiree premium | 35,534 | 38,378 | 41,447 |
| Total contribution and premium | 35,534 | 38,378 | 38,378 |
| Change in net OPEB obligation | \$ 37,619 | \$ 37,027 | \$ 36,337 |
| % of contribution to cost | 0.00% | 0.00% | 0.00% |
| % of contribution plus premium to cost | 48.57% | 50.89% | 53.28% |

23. SUBSEQUENT EVENTS

The City entered into a short term borrowing arrangement with a local financial institution to assist in financing operations. Under the terms of the arrangement, a maximum of \$1,990,000 may be advanced and all amounts borrowed must be paid in full in March 1, 2016. As of the date of issuance of these financial statements, \$700,000 had been advanced to the City.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2014

24. CONTINGENCIES AND COMMITMENTS

In 2013, the City became aware of disallowed costs for several projects or grants previously funded under the FEMA Public Assistance Program related to past disasters, primarily Hurricane Katrina. Preliminary notifications from the Governor's Office of Homeland Security and Emergency preparedness (GOHSEP, the granting agency) indicated that approximately \$250,000 was due to be returned to GOHSEP because of disallowed costs. The City plans to contest and appeal the Governor's Office of Homeland Security's disallowance of these costs and is of the opinion that the matter will be resolved in favor of the City. However, the ultimate resolution of this matter is unknown at this time. As mentioned in footnote 16, the City accounts for contingent liabilities resulting from such audits as prescribed in FASB Statement No 5, *Accounting for Contingencies*, as made applicable to governmental entities through GASB 62. Accordingly, no liability is recorded in the accompanying financial statements for this matter.

In 2013, the City entered into an agreement with the Louisiana Department of Environmental Quality for asbestos remediation for past, present and future demolitions of condemned/adjudicated properties in possession of the City. The City has committed to and has begun remediation of 140 demolitions from the past that were identified by the DEQ upon inspection. In accordance with Governmental Accounting Standards Board Statement No 49, *Accounting and financial reporting for Pollution Remediation Liabilities*, an estimated liability of \$500,000 is recorded as payable for the past demolitions, for which remediation activities have already begun. Future demolitions are not estimable at this time.

TIN Inc. the then owner of the paper mill (the Mill) located within the City, as well as the prior owner of the Mill, Gaylord Container Corporation, filed suit for refund of sales taxes. After an initial ruling in favor of the defendants at the district court level, the progression of the suit through the appeals process ended with a settlement agreement being reached between the taxing authorities, including the City, and the Washington Parish Sheriff's Office, as collector, and the owners of the paper mill. The settlement agreement was favorable to the plaintiffs (Mill). Under the terms of the agreement, the mill will receive credits to be applied toward future sales and use taxes in the amount of \$494,197; \$318,757 of which is applicable to the City. The credits will reduce to the City's future tax revenues to be derived from the mill over a period of 48 months in the amount of approximately \$6,640 per month.

Required Supplemental
Information (Part II)

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2014
(UNAUDITED)

Other Post Employment Benefits Plan Retiree Health and Life Insurance Programs

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 01/01/2014 | 0.00 | \$ 941,139 | \$ 941,139 | 0.00 % | \$ 6,103,959 | 15.4% |
| 01/01/2013 | 0.00 | 904,941 | 904,941 | 0.00 % | 5,895,097 | 15.4% |
| 01/01/2012 | 0.00 | 870,136 | 870,136 | 0.00 % | 5,728,798 | 15.2 % |
| 01/01/2011 | 0.00 | 1,040,830 | 1,040,830 | 0.00 % | 5,901,671 | 17.6 % |
| 01/01/2010 | 0.00 | 995,590 | 995,590 | 0.00 % | 5,901,671 | 16.9 % |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ending | Annual OPEB Cost | Amount Contributed | Percentage of Annual OPEB Costs Contributed | Increase (Decrease) to Net OPEB (Asset) Obligation | Net OPEB (Asset) Obligation |
|--------------------------|------------------------|-----------------------|--|---|-----------------------------------|
| 12/31/2014 | \$ 77,784 | \$ 41,447 | 53.28 % | \$ 36,337 | \$ 105,874 |
| 12/31/2013 | 75,404 | 38,377 | 50.89 % | 37,027 | 69,537 |
| 12/31/2012 | 73,153 | 35,534 | 48.57 % | 37,619 | 32,510 |
| 12/31/2011 | 82,187 | 83,066 | 101.1 % | 939 | (5,109) |
| 12/31/2010 | 78,897 | 83,067 | 105.3 % | 4,170 | (4,170) |

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|-----------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 2,084,960 | \$ 2,175,100 | \$ 2,096,178 | \$ (78,922) |
| Sales taxes | 3,189,270 | 3,385,150 | 3,219,976 | (165,174) |
| Other taxes | 33,000 | 42,000 | 31,829 | (10,171) |
| Licenses and permits | 455,400 | 431,200 | 422,765 | (8,435) |
| Franchise fees | 333,000 | 368,000 | 342,017 | (25,983) |
| Intergovernmental | 474,580 | 1,044,990 | 757,176 | (287,814) |
| Charges for services | 1,250 | 750 | 74,403 | 73,653 |
| Fines | 145,000 | 150,000 | 132,333 | (17,667) |
| Interest | 500 | 500 | 23,418 | 22,918 |
| Miscellaneous | 133,150 | 247,090 | 180,554 | (66,536) |
| Total revenues | <u>6,850,110</u> | <u>7,844,780</u> | <u>7,280,649</u> | <u>(564,131)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 4,378,740 | 4,099,270 | 4,032,170 | 67,100 |
| Public safety | 4,168,560 | 3,816,410 | 4,045,261 | (228,851) |
| Public works | 1,573,790 | 1,218,680 | 1,359,895 | (141,215) |
| Airport | 124,640 | 209,140 | 112,013 | 97,127 |
| Capital outlay | - | - | 303,925 | (303,925) |
| Intergovernmental | 161,600 | 156,460 | 163,947 | (7,487) |
| Total expenditures | <u>10,407,330</u> | <u>9,499,960</u> | <u>10,017,211</u> | <u>(517,251)</u> |
| Deficiency of revenues over expenditures | (3,557,220) | (1,655,180) | (2,736,562) | (1,081,382) |
| Other financing sources (uses): | | | | |
| Sale of assets | 10,000 | 15,000 | 17,796 | 2,796 |
| Transfers to other funds | (32,750) | - | (62,680) | (62,680) |
| Transfers from other funds | 3,579,970 | 3,282,480 | 3,502,861 | 220,381 |
| | <u>3,557,220</u> | <u>3,297,480</u> | <u>3,457,977</u> | <u>160,497</u> |
| Net change in fund balance | <u>-</u> | <u>1,642,300</u> | <u>721,415</u> | <u>(920,885)</u> |
| Fund balance (deficit), beginning | <u>-</u> | <u>(2,074,662)</u> | <u>(2,074,666)</u> | <u>(4)</u> |
| Fund balance (deficit), ending | <u>\$ -</u> | <u>\$ (432,362)</u> | <u>\$ (1,353,251)</u> | <u>\$ (920,889)</u> |

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL COMPLEX SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | |
| Sales Taxes | \$ 559,500 | \$ 559,500 | \$ 554,412 | \$ (5,088) |
| Interest | 1,150 | 1,150 | 436 | (714) |
| Total revenues | <u>560,650</u> | <u>560,650</u> | <u>554,848</u> | <u>(5,802)</u> |
| Expenditures: | | | | |
| Economic Development | 285,650 | 285,650 | 197,004 | 88,646 |
| Capital Outlay | 250,000 | 250,000 | 407,194 | (157,194) |
| Total expenditures | <u>535,650</u> | <u>535,650</u> | <u>604,198</u> | <u>(68,548)</u> |
| Excess of revenues over expenditures | 25,000 | 25,000 | (49,350) | (74,350) |
| Other financing uses: | | | | |
| Transfers to other funds | (25,000) | (25,000) | (50,000) | (25,000) |
| | <u>(25,000)</u> | <u>(25,000)</u> | <u>(50,000)</u> | <u>(25,000)</u> |
| Net change in fund balance | <u>-</u> | <u>-</u> | <u>(99,350)</u> | <u>(99,350)</u> |
| Fund balance, beginning | <u>1,733,700</u> | <u>1,680,670</u> | <u>1,680,665</u> | <u>(5)</u> |
| Fund balance, ending | <u>\$ 1,733,700</u> | <u>\$ 1,680,670</u> | <u>\$ 1,581,315</u> | <u>\$ (99,355)</u> |

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
LANDFILL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Advalorem taxes | 342,700 | 342,700 | 334,884 | \$ (7,816) |
| Interest | 130 | 130 | 53 | (77) |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>342,830</u> | <u>342,830</u> | <u>334,937</u> | <u>(7,893)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| Landfill | 342,830 | 669,780 | 340,390 | 329,390 |
| Total expenditures | <u>342,830</u> | <u>669,780</u> | <u>340,390</u> | <u>329,390</u> |
| Excess (deficiency) of revenues over expenditures | - | (326,950) | (5,453) | 321,497 |
| Fund balance, beginning | - | 326,950 | 326,952 | 2 |
| Fund balance, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 321,499</u> | <u>\$ 321,499</u> |

See accompanying independent auditor's report.

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Taxes: | | | | |
| Ad valorem taxes | \$ 2,084,960 | \$ 2,175,100 | \$ 2,096,178 | \$ (78,922) |
| Sales tax | 3,189,270 | 3,385,150 | 3,219,976 | (165,174) |
| Beer tax | 23,000 | 21,000 | 18,371 | (2,629) |
| Bogalusa Housing Authority taxes | 10,000 | 21,000 | 13,032 | (7,968) |
| Tax certificates | - | - | 426 | 426 |
| Total taxes | <u>5,307,230</u> | <u>5,602,250</u> | <u>5,347,983</u> | <u>(254,267)</u> |
| Licenses and permits: | | | | |
| Occupational licenses and interest | 440,000 | 415,000 | 419,781 | 4,781 |
| Alcoholic beverages licenses and permits | 14,000 | 14,000 | 1,225 | (12,775) |
| Electrical permits | 1,000 | 500 | 295 | (205) |
| Miscellaneous Permits | 400 | 1,700 | 1,464 | (236) |
| Total licenses and permits | <u>455,400</u> | <u>431,200</u> | <u>422,765</u> | <u>(8,435)</u> |
| Franchise fees | | | | |
| Entergy Electrical | 183,000 | 210,000 | 207,015 | (2,985) |
| Centerpoint Natural Gas | 85,000 | 90,000 | 99,846 | 9,846 |
| Charter Cable TV | 30,000 | 30,000 | - | (30,000) |
| Bell South / AT&T Franchise Fee | 30,000 | 37,000 | 34,193 | (2,807) |
| Southern Lighting of LA | 5,000 | 1,000 | 963 | (37) |
| Total franchise fees | <u>333,000</u> | <u>368,000</u> | <u>342,017</u> | <u>(25,983)</u> |
| Intergovernmental: | | | | |
| State Supplemental Pay | 468,000 | 350,620 | 372,516 | 21,896 |
| LACLE Receipts | 6,580 | - | 4,177 | 4,177 |
| Department of Justice Grant | - | - | 12,761 | 12,761 |
| LA Gov Assistance Program | - | - | 25,000 | 25,000 |
| Louisiana Safety Commission Grant | - | 36,400 | 32,972 | (3,428) |
| Safe Routes to School Grant | - | 246,330 | - | (246,330) |
| Criminal Patrol Grant | - | 3,030 | - | (3,030) |
| JAG Grant | - | 12,870 | - | (12,870) |
| Historic Structures Grant | - | 7,000 | 5,950 | (1,050) |
| HVAC Renovations | - | 173,930 | 294,001 | 120,071 |
| DODT Grant | - | - | 3,223 | 3,223 |
| Violence Against Women Grant | - | 7,810 | - | (7,810) |
| Bogalusa Creek - USDA Grant | - | 87,000 | - | (87,000) |
| Airport State Grant | - | 120,000 | 6,576 | (113,424) |
| Total intergovernmental | <u>\$ 474,580</u> | <u>\$ 1,044,990</u> | <u>\$ 757,176</u> | <u>\$ (287,814)</u> |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Charges for services: | | | | |
| Zoning change charges | \$ 1,250 | \$ 750 | \$ 300 | (450) |
| Wreck and fire reports | - | - | 6,965 | 6,965 |
| Pound fees | - | - | 1,160 | 1,160 |
| Witness fees | - | - | 9,670 | 9,670 |
| Recording deeds | - | - | (6,648) | (6,648) |
| Research fees | - | - | 693 | 693 |
| Bonding fees | - | - | 12,780 | 12,780 |
| Fingerprint fees | - | - | 1,995 | 1,995 |
| Archon collection fee | - | - | 46,113 | 46,113 |
| Miscellaneous | - | - | 1,375 | 1,375 |
| Total charges for services | <u>1,250</u> | <u>750</u> | <u>74,403</u> | <u>73,653</u> |
| Fines and Penalties | | | | |
| Court Fines | 145,000 | 150,000 | 132,333 | (17,667) |
| Total fines | <u>145,000</u> | <u>150,000</u> | <u>132,333</u> | <u>(17,667)</u> |
| Interest: | | | | |
| Interest Earned | 500 | 500 | 193 | (307) |
| Cassidy Park Campground Donations & Interest | - | - | 4,502 | 4,502 |
| Main Street Donations & Interest | - | - | 18,660 | 18,660 |
| Retirement Interest Earned | - | - | 63 | 63 |
| Total interest earned | <u>500</u> | <u>500</u> | <u>23,418</u> | <u>22,918</u> |
| Miscellaneous: | | | | |
| 2% fire insurance | 61,250 | 59,870 | 59,868 | (2) |
| Cemetery plot sales | 14,700 | 13,000 | 8,400 | (4,600) |
| Airport income | 1,700 | 1,000 | 799 | (201) |
| Donations | 2,500 | 36,000 | - | (36,000) |
| Clearing Lots | - | - | 6,389 | 6,389 |
| Returned checks charges | - | - | 946 | 946 |
| Police seized funds | - | - | 1,483 | 1,483 |
| Over and short | - | - | 55 | 55 |
| ATM rent | - | - | 300 | 300 |
| Sale of adjudicated property | 3,000 | - | - | - |
| Xerox receipts | - | - | 15 | 15 |
| Conexis Premium Account | - | - | (633) | (633) |
| Centennial Jubilee Receipts | - | - | 46,564 | 46,564 |
| Worker's Compensation Reimbursement | - | - | 18,715 | 18,715 |
| Other miscellaneous revenue | 50,000 | 137,220 | 37,653 | (99,567) |
| Total miscellaneous | <u>133,150</u> | <u>247,090</u> | <u>180,554</u> | <u>(66,536)</u> |
| TOTAL REVENUES | <u>\$ 6,850,110</u> | <u>\$ 7,844,780</u> | <u>\$ 7,280,649</u> | <u>\$ (564,131)</u> |

See accompanying independent auditor's report.

(concluded)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|------------------------------|----------------------------|-------------------------|------------------|---|
| General Government: | | | | |
| <i>City Council:</i> | | | | |
| Salaries and wages | \$ 84,830 | \$ 77,340 | \$ 77,338 | \$ 2 |
| Contract overtime | 880 | 900 | 912 | (12) |
| Supplies and expense | 7,500 | 4,600 | 5,176 | (876) |
| Employee group insurance | 7,940 | 7,020 | 7,136 | (116) |
| Travel | 15,000 | 3,130 | 4,407 | (1,277) |
| Auditing fees | 65,000 | 50,000 | 41,895 | 8,105 |
| Publications | 3,350 | - | 35 | (35) |
| <i>Total City Council</i> | <u>184,500</u> | <u>142,990</u> | <u>137,199</u> | <u>5,791</u> |
| <i>Mayor's Office:</i> | | | | |
| Salaries and wages | 83,820 | 80,630 | 94,232 | (13,602) |
| Contract overtime | 870 | 940 | 944 | (4) |
| Overtime | 1,000 | 340 | 332 | 8 |
| Supplies and expense | 6,000 | 3,000 | 6,288 | (3,288) |
| Gas and oil | 4,500 | 4,500 | 5,602 | (1,102) |
| Employee group insurance | 17,220 | 14,040 | 14,273 | (233) |
| Travel | 7,500 | 2,200 | 2,041 | 159 |
| Dues and subscriptions | 2,500 | - | - | - |
| <i>Total Mayor's Office</i> | <u>123,410</u> | <u>105,650</u> | <u>123,712</u> | <u>(18,062)</u> |
| <i>City Attorney:</i> | | | | |
| Legal and professional | 24,000 | 24,000 | 28,120 | (4,120) |
| <i>Total City Attorney</i> | <u>24,000</u> | <u>24,000</u> | <u>28,120</u> | <u>(4,120)</u> |
| <i>City Prosecutor:</i> | | | | |
| Salaries and wages | 44,820 | 44,820 | 45,318 | (498) |
| Contract overtime | 910 | 940 | 946 | (6) |
| Overtime | - | 160 | 156 | 4 |
| Supplies and expense | 700 | 350 | 621 | (271) |
| Employee group insurance | 7,940 | 7,020 | 7,136 | (116) |
| <i>Total City Prosecutor</i> | <u>\$ 54,370</u> | <u>\$ 53,290</u> | <u>\$ 54,177</u> | <u>\$ (887)</u> |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|---|
| Personnel: | | | | |
| Salaries and wages | \$ 41,340 | \$ 83,310 | \$ 83,310 | \$ - |
| Contract overtime | - | 1,120 | 1,032 | 88 |
| Overtime | - | - | 93 | (93) |
| Supplies and expense | 1,000 | 2,500 | 4,530 | (2,030) |
| Employee group insurance | 7,940 | 15,570 | 15,997 | (427) |
| Travel | 2,500 | 540 | 629 | (89) |
| Education and training | 3,000 | - | - | - |
| Dues and subscriptions | 150 | - | - | - |
| Total personnel | 55,930 | 103,040 | 105,591 | (2,551) |
| Administration and Finance: | | | | |
| Salaries and wages | 280,620 | 260,410 | 280,564 | (20,154) |
| Contract overtime | 6,940 | 5,340 | 5,383 | (43) |
| Overtime | 8,000 | 4,760 | 5,586 | (826) |
| Supplies and expense | 44,000 | 22,000 | 42,386 | (20,386) |
| Gas and oil | - | 960 | 996 | (36) |
| Employee group insurance | 79,290 | 52,000 | 53,485 | (1,485) |
| Travel | 4,000 | 370 | 364 | 6 |
| Computer maintenance | 3,500 | - | - | - |
| Education and training | 3,500 | - | - | - |
| Contract labor - pension records | 10,000 | 10,000 | 26,527 | (16,527) |
| Total administration and finance | 439,850 | 355,840 | 415,291 | (59,451) |
| Retirement system: | | | | |
| General government | 1,052,450 | 334,520 | 388,265 | (53,745) |
| Public safety | 708,360 | 806,700 | 801,047 | 5,653 |
| Total retirement system | 1,760,810 | 1,141,220 | 1,189,312 | (48,092) |
| Purchasing: | | | | |
| Salaries and wages | 72,600 | 31,850 | 31,849 | 1 |
| Supplies and expense | 4,000 | 2,000 | 2,226 | (226) |
| Gas and oil | 270 | - | - | - |
| Employee group insurance | 23,810 | 7,020 | 7,136 | (116) |
| Education & Training | 2,500 | - | - | - |
| Advertising | 4,000 | 9,800 | 11,126 | (1,326) |
| Travel | 3,000 | - | - | - |
| Total purchasing | \$ 110,180 | \$ 50,670 | \$ 52,337 | \$ (1,667) |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| General and Administrative: | | | | |
| Fica and medicare expense | \$ 90,750 | \$ 88,750 | \$ 96,135 | \$ (7,385) |
| Interest expense | 15,000 | 15,140 | 19,828 | (4,688) |
| Insurance expense | 900,000 | 820,000 | 883,370 | (63,370) |
| Legal and other professional | 50,000 | 80,000 | 241,232 | (161,232) |
| Utilities expense | 390,000 | 190,000 | 289,612 | (99,612) |
| Coronor's expense | 25,000 | 10,000 | 26,343 | (16,343) |
| Wash. Parish Veterans Office | 10,000 | 10,000 | 10,020 | (20) |
| Municipal fire and police - civil service | 4,000 | 4,000 | 3,598 | 402 |
| Police witness fees | 15,250 | 8,400 | 11,900 | (3,500) |
| Bonding fees expense | 1,200 | 16,330 | 18,591 | (2,261) |
| Assessor's expenses | - | - | 5,848 | (5,848) |
| Miscellaneous | 30,000 | 30,000 | 58,224 | (28,224) |
| GPS | - | 6,790 | 7,709 | (919) |
| Election expense | 21,000 | 30,260 | 20,006 | 10,254 |
| Planning and zoning | 3,750 | 3,600 | 3,692 | (92) |
| Wash. Parish youth services | 4,000 | - | - | - |
| Sales Tax Collection Expense | 55,740 | 55,740 | - | 55,740 |
| Main Street expenses | - | - | 19,685 | (19,685) |
| Centennial Jubilee and beautification expenses | - | - | 22,732 | (22,732) |
| City beautification project | 10,000 | - | - | - |
| ARCHON Information Services | - | 52,000 | 52,506 | (506) |
| Demolition Expenses | - | 105,350 | 105,400 | (50) |
| Grant Expenses | - | 596,210 | 30,000 | 566,210 |
| Total general and administrative | 1,625,690 | 2,122,570 | 1,926,431 | 196,139 |
| Total general government | \$ 4,378,740 | \$ 4,099,270 | \$ 4,032,170 | \$ 67,100 |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--------------------------------|----------------------------|----------------------------|----------------------------|---|
| <u>Public Safety</u> | | | | |
| <i>Police:</i> | | | | |
| Salaries and wages | \$ 1,205,380 | \$ 1,196,880 | \$ 1,332,319 | \$ (135,439) |
| Contract overtime | 126,040 | 129,860 | 137,159 | (7,299) |
| Overtime | 125,000 | 110,000 | 169,697 | (59,697) |
| Shift differential | 8,500 | 8,500 | - | 8,500 |
| Holiday pay | 72,600 | 70,000 | 23,425 | 46,575 |
| State supplemental pay | 246,000 | 189,400 | 191,100 | (1,700) |
| Uniform allowance | 14,800 | 14,800 | 14,400 | 400 |
| Supplies and expense | 40,000 | 20,000 | 55,957 | (35,957) |
| Gas and oil | 65,000 | 75,000 | 78,755 | (3,755) |
| Employee group insurance | 348,900 | 294,840 | 301,555 | (6,715) |
| Travel | 3,500 | 500 | 1,129 | (629) |
| Repairs - equipment and radios | 1,000 | - | 1,000 | (1,000) |
| Special investigations | 1,000 | 200 | 125 | 75 |
| Narcotics investigations | 5,000 | - | - | - |
| Education and training | 15,000 | 1,000 | 1,264 | (264) |
| Jag Grant police equipment | - | 12,870 | - | 12,870 |
| LACLE Grant - Equipment | 6,580 | - | - | - |
| <i>Total police</i> | <u>2,284,300</u> | <u>2,123,850</u> | <u>2,307,885</u> | <u>(184,035)</u> |
| <i>Fire:</i> | | | | |
| Salaries and wages | 1,099,200 | 1,062,630 | 1,063,200 | (570) |
| Contract overtime | 118,980 | 113,400 | 105,583 | 7,817 |
| Overtime | 15,000 | 22,000 | 39,706 | (17,706) |
| Shift differential | 5,540 | 5,380 | - | 5,380 |
| Holiday pay | 60,600 | 57,600 | 58,000 | (400) |
| State supplemental pay | 222,000 | 161,220 | 181,416 | (20,196) |
| Uniform allowance | 13,650 | 11,550 | 11,550 | - |
| Supplies and expense | 20,000 | 10,000 | 20,380 | (10,380) |
| Gas and oil | 18,000 | 18,000 | 21,834 | (3,834) |
| Employee group insurance | 293,390 | 230,230 | 234,933 | (4,703) |
| Travel | 3,500 | 200 | 122 | 78 |
| Repair - equipment | - | - | 307 | (307) |
| Education and training | 14,400 | 350 | 345 | 5 |
| <i>Total fire</i> | <u>1,884,260</u> | <u>1,692,560</u> | <u>1,737,376</u> | <u>(44,816)</u> |
| Total public safety | <u>\$ 4,168,560</u> | <u>\$ 3,816,410</u> | <u>\$ 4,045,261</u> | <u>\$ (228,851)</u> |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <u>Public Works</u> | | | | |
| <i>Public works - central:</i> | | | | |
| Salaries and wages | \$ 800,000 | \$ 745,900 | \$ 733,517 | \$ 12,383 |
| Overtime | 50,000 | 30,000 | 37,424 | (7,424) |
| Contract overtime | 1,630 | 1,630 | 1,777 | (147) |
| Allowance - rainsuits, clothing | 2,800 | 1,960 | 1,960 | - |
| Supplies and expense | 35,000 | 17,500 | 36,352 | (18,852) |
| Gas and oil | 75,500 | 75,500 | 75,239 | 261 |
| Pest control materials | 15,000 | - | - | - |
| Cemetary maintenance materials | 25,000 | - | 12,065 | (12,065) |
| Uniform expense | 21,000 | 18,000 | 18,497 | (497) |
| Employee group insurance | 325,110 | 168,000 | 170,709 | (2,709) |
| Travel | 1,000 | 180 | 178 | 2 |
| Education & Training | 5,000 | - | - | - |
| Repairs - equipment | - | - | 512 | (512) |
| <i>Total public works - central</i> | <u>1,357,040</u> | <u>1,058,670</u> | <u>1,088,230</u> | <u>(29,560)</u> |
| <i>Public works - electrical:</i> | | | | |
| Salaries and wages | 38,630 | 38,630 | 39,516 | (886) |
| Overtime | 100 | 0 | 115 | (115) |
| Allowance - rainsuits, clothing | 130 | 130 | 130 | - |
| Supplies and expense | 300 | - | - | - |
| Tools and equipment | 100 | 70 | 70 | - |
| Education & Training | 1,000 | - | - | - |
| Employee group insurance | 7,940 | 7,020 | 7,136 | (116) |
| <i>Total public works - electrical</i> | <u>48,200</u> | <u>45,850</u> | <u>46,967</u> | <u>(1,117)</u> |
| <i>Public works - motor pool:</i> | | | | |
| Salaries and wages | 53,440 | 70,850 | 70,818 | 32 |
| Overtime | 10,000 | 3,000 | 3,023 | (23) |
| Allowance - rainsuits, clothing | 280 | 400 | 341 | 59 |
| Supplies and expense | 3,250 | 4,000 | 3,385 | 615 |
| Tools and equipment | 5,000 | 2,500 | 6,444 | (3,944) |
| Gas and oil | 8,500 | 12,000 | 12,216 | (216) |
| Employee group insurance | 31,730 | 21,060 | 26,174 | (5,114) |
| Vehicle maintenance - general | 5,000 | - | 8,836 | (8,836) |
| Vehicle maintenance - police | 15,000 | - | 32,235 | (32,235) |
| Vehicle maintenance - fire | 10,000 | - | 25,092 | (25,092) |
| Vehicle maintenance - public works | 25,000 | - | 36,005 | (36,005) |
| Education & Training | 1,000 | - | - | - |
| Licenses - chauffeurs | 350 | 350 | 129 | 221 |
| <i>Total public works - motor pool</i> | <u>168,550</u> | <u>114,160</u> | <u>224,698</u> | <u>(110,538)</u> |
| Total public works | <u>\$ 1,573,790</u> | <u>\$ 1,218,680</u> | <u>\$ 1,359,895</u> | <u>\$ (141,215)</u> |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|-----------------------------------|----------------------------|-------------------------|----------------------|---|
| Airport: | | | | |
| State airport grant expense | \$ - | \$ 120,000 | \$ - | \$ 120,000 |
| Salaries and wages | 34,280 | 36,370 | 37,317 | (947) |
| Employee group insurance | 0 | 7,020 | 7,136 | (116) |
| Insurance | 15,860 | - | - | - |
| Utilities | 30,000 | 30,000 | 30,543 | (543) |
| Maintenance | 25,000 | 12,000 | 22,676 | (10,676) |
| Supplies and expense | 16,000 | 3,000 | 10,553 | (7,553) |
| Travel | 3,500 | - | 1,110 | (1,110) |
| Gas & oil | - | 750 | 2,678 | (1,928) |
| Total airport | <u>124,640</u> | <u>209,140</u> | <u>112,013</u> | <u>97,127</u> |
| Capital outlay | <u>-</u> | <u>-</u> | <u>303,925</u> | <u>(303,925)</u> |
| Intergovernmental : | | | | |
| City court personnel compensation | 146,600 | 141,460 | 153,224 | (11,764) |
| City court supplies and expense | 15,000 | 15,000 | 10,723 | 4,277 |
| Total intergovernmental | <u>161,600</u> | <u>156,460</u> | <u>163,947</u> | <u>(7,487)</u> |
| TOTAL EXPENDITURES | <u>\$ 10,407,330</u> | <u>\$ 9,499,960</u> | <u>\$ 10,017,211</u> | <u>\$ (517,251)</u> |

See accompanying independent auditor's report.

(concluded)

CITY OF BOGALUSA, LOUISIANA
Non-Major Governmental Funds
December 31, 2014

Special Revenue Funds

Employee Pay Raise Sales Tax - Accounts for the receipt of a 1/2 cent sales and use tax. The proceeds are dedicated to the purpose of paying salaries and benefits of City employees. The tax is for an indefinite period.

Street Improvement Sales Tax - Accounts for the receipt of 25% of a one-cent sales and use tax. The proceeds are dedicated to street and drainage repair, maintenance, operation and additions.

Capital Improvement Sales Tax - Accounts for the receipt of 15% of a one-cent sales and use tax. The proceeds are dedicated to the acquisition, operation, and maintenance of land, buildings, and equipment.

Industrial Complex Rent/Lease - Accounts for the receipt of rent from the Industrial Park. Expenditures are not legally restricted for any certain purpose.

Senior Citizens Programs - Accounts for the receipt of 50% of a 4-mill ad valorem tax dedicated for acquiring, constructing, improving, operating and maintaining senior citizens programs.

Youth Recreation and Parks - Accounts for the receipt of 50% of a 4-mill ad valorem tax dedicated for acquiring, constructing, improving, operating and maintaining parks and recreation facilities.

Jail Operations Sales Tax - Accounts for the receipt of one-third of one percent (1/3%) sales and use tax dedicated for improvements, maintenance and operation of the City Jail, including, but not limited to, the construction of additions to or expansions of the existing Bogalusa City Jail and for purchasing, maintaining and operating related equipment.

LCDBG Fund - Accounts for the receipt of the LCDBG grant dedicated to improvements and renovations of the water tower owned by the City.

Municipal Building Fund - Accounts for the receipt of a 2-mill ad-valorem tax dedicated to improvements and renovations to existing structures owned by the City.

Capital Projects Fund

Airport Expansion Fund – Accounts for the federal grant revenues and expenditures thereof for capital improvements at the George R. Carr Memorial Airport.

Debt Service Fund

General Obligation Bond Sinking Fund #4 - Accumulates monies for payment of the \$1,750,000 General Obligations Revenue Bonds, Series 2007 for street overlay.

**CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

Special Revenue Funds

| | Employee Pay Raise Sales Tax Fund | Street Improvement Sales Tax Fund | Capital Improvement Sales Tax Fund | Industrial Complex Rent/Lease Fund | Senior Citizens Program Fund | Youth Recreation and Parks Fund | Jail Operations Sales Tax Fund |
|---|--|--|---|---|---|--|---|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 16,741 | \$ 23,133 | \$ 16,542 | \$ 27,529 | \$ - | \$ 86,092 | \$ (10,334) |
| Investments in joint venture | - | - | - | - | - | - | - |
| Property taxes receivable | - | - | - | - | 689 | 28,280 | - |
| Accounts receivable | 176,383 | 88,192 | 52,844 | 6,300 | - | - | 116,375 |
| Due from other funds | - | 60,000 | 5,000 | 127,802 | - | 4,068 | - |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | - | - | 370,302 | - | - | - | - |
| TOTAL ASSETS | 193,124 | 171,325 | 444,688 | 161,631 | 689 | 118,440 | 106,041 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - | - | - | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 193,124 | \$ 171,325 | \$ 444,688 | \$ 161,631 | \$ 689 | \$ 118,440 | \$ 106,041 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ 35,158 | \$ 35,232 | \$ 21,666 | \$ - | \$ 66,701 | \$ 51,764 |
| Accrued expenses | - | - | - | 0 | - | - | - |
| Due to other funds | 192,124 | 136,167 | 104,187 | 88,400 | - | 250,376 | 468 |
| TOTAL LIABILITIES | 192,124 | 171,325 | 139,419 | 110,066 | - | 317,077 | 52,232 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unearned revenue | - | - | - | - | - | 6,769 | - |
| FUND BALANCES | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | |
| Debt service | - | - | - | - | - | - | - |
| Capital projects | - | - | 305,269 | - | - | - | - |
| Maintenance | - | - | - | - | - | - | - |
| Special programs | 1,000 | - | - | 51,565 | 689 | - | 53,809 |
| Unassigned | - | - | - | - | - | (205,406) | - |
| TOTAL FUND BALANCES | 1,000 | - | 305,269 | 51,565 | 689 | (205,406) | 53,809 |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES | \$ 193,124 | \$ 171,325 | \$ 444,688 | \$ 161,631 | \$ 689 | \$ 118,440 | \$ 106,041 |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

| | <u>Special Revenue Funds</u> | | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Non-Major Governmental Funds</u> |
|---|------------------------------|--------------------------------|-------------------------------|--|---|
| | <u>LCDBG Fund</u> | <u>Municipal Building Fund</u> | <u>Airport Expansion Fund</u> | <u>General Obligation Bond Sinking Fund #4</u> | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 46,304 | \$ 100,331 | \$ 50,184 | \$ 293,683 | \$ 650,205 |
| Property taxes receivable | - | 29,314 | - | 38,886 | 97,169 |
| Accounts receivable | - | - | 3,864 | - | 443,958 |
| Due from other funds | 28,400 | 4,507 | 88,978 | 135,593 | 454,348 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | - | - | - | 370,302 |
| TOTAL ASSETS | <u>74,704</u> | <u>134,152</u> | <u>143,026</u> | <u>468,162</u> | <u>2,015,982</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | - | - | - | - | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 74,704</u> | <u>\$ 134,152</u> | <u>\$ 143,026</u> | <u>\$ 468,162</u> | <u>\$ 2,015,982</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 46,112 | \$ 13,528 | \$ 4,794 | \$ - | \$ 274,955 |
| Accrued expenses | 0 | 0 | - | - | - |
| Due to other funds | - | 12,200 | 138,232 | - | 922,154 |
| TOTAL LIABILITIES | <u>46,112</u> | <u>25,728</u> | <u>143,026</u> | <u>-</u> | <u>1,197,109</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes unavailable for current year | - | 6,769 | - | 9,309 | 22,847 |
| FUND BALANCES | | | | | |
| Non-spendable | - | - | - | - | - |
| Restricted for: | | | | | |
| Debt service | - | - | - | 458,853 | 458,853 |
| Capital projects | - | - | - | - | 305,269 |
| Maintenance | 28,592 | 101,655 | - | - | 130,247 |
| Special programs | - | - | - | - | 107,063 |
| Unassigned | - | - | - | - | (205,406) |
| TOTAL FUND BALANCES | <u>28,592</u> | <u>101,655</u> | <u>-</u> | <u>458,853</u> | <u>796,026</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES | <u>\$ 74,704</u> | <u>\$ 134,152</u> | <u>\$ 143,026</u> | <u>\$ 468,162</u> | <u>\$ 2,015,982</u> |

See accompanying independent auditor's report.

(concluded)

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Special Revenue Funds | | | | | | |
|--|--------------------------------|---|--|---|---------------------------------|---------------------------------------|-----------------------------------|
| | Employee Pay Sales Tax Fund | Street Improvement Sales Tax Fund | Capital Improvement Sales Tax Fund | Industrial Complex Rent/Lease Fund | Senior Citizens Program Fund | Youth Recreation and Parks Fund | Jail Operations Sales Tax Fund |
| Revenues: | | | | | | | |
| Ad valorem Taxes | \$ - | \$ - | \$ - | \$ - | \$ (2,436) | \$ 129,205 | \$ - |
| Sales Taxes | 1,108,825 | 554,410 | 332,202 | - | - | - | 733,267 |
| Intergovernmental | - | - | - | - | - | 112,604 | 50,934 |
| Interest | 20 | 8 | 5 | 12 | - | 5 | 6 |
| Rent | - | - | - | 252,404 | - | - | - |
| Miscellaneous | - | - | - | - | - | 2,783 | 32,315 |
| Total revenues | <u>1,108,845</u> | <u>554,418</u> | <u>332,207</u> | <u>252,416</u> | <u>(2,436)</u> | <u>244,597</u> | <u>816,522</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Public safety | - | - | - | - | - | - | 875,424 |
| Public works | - | 550,168 | 116,328 | - | - | - | - |
| Culture and Recreation | - | - | - | - | - | 178,652 | - |
| Economic Development | - | - | - | 175,506 | - | - | - |
| Airport | - | - | - | - | - | - | - |
| Capital outlay | - | 4,250 | 137,400 | - | - | 268,457 | - |
| Debt Service: | | | | | | | |
| Capital lease payments | - | - | 293,113 | - | - | - | - |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | 18,217 | - | - | - | - |
| Total expenditures | <u>-</u> | <u>554,418</u> | <u>565,058</u> | <u>175,506</u> | <u>-</u> | <u>447,109</u> | <u>875,424</u> |
| Excess (deficiency) of revenues over expenditures | 1,108,845 | - | (232,851) | 76,910 | (2,436) | (202,512) | (58,902) |
| Other financing sources (uses): | | | | | | | |
| Transfers to other funds | (1,136,524) | - | - | (37,038) | - | - | - |
| Transfers from other funds | - | - | - | - | - | - | 112,580 |
| | <u>(1,136,524)</u> | <u>-</u> | <u>-</u> | <u>(37,038)</u> | <u>-</u> | <u>-</u> | <u>112,580</u> |
| Net change in fund balance | (27,679) | - | (232,851) | 39,872 | (2,436) | (202,512) | 53,678 |
| Fund balance (deficit), beginning | 28,679 | - | 538,120 | 11,693 | 3,125 | (2,894) | 131 |
| Fund balance (deficit), ending | <u>\$ 1,000</u> | <u>\$ -</u> | <u>\$ 305,269</u> | <u>\$ 51,565</u> | <u>\$ 689</u> | <u>\$ (205,406)</u> | <u>\$ 53,809</u> |

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Special Revenue Funds | | Capital Projects Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|--|-----------------------|-------------------------|------------------------|---|------------------------------------|
| | LCDBG Fund | Municipal Building Fund | Airport Expansion Fund | General Obligation Bond Sinking Fund #4 | |
| Revenues: | | | | | |
| Ad valorem Taxes | \$ - | \$ 135,770 | \$ - | \$ 185,134 | \$ 447,673 |
| Sales Taxes | - | - | - | - | 2,728,704 |
| Intergovernmental | 213,105 | - | - | - | 376,643 |
| Interest | - | 9 | - | 104 | 169 |
| Rent | - | - | - | - | 252,404 |
| Miscellaneous | - | - | - | - | 35,098 |
| Total revenues | 213,105 | 135,779 | - | 185,238 | 3,840,691 |
| Expenditures: | | | | | |
| Current - | | | | | |
| Public safety | - | - | - | - | 875,424 |
| Public works | 213,105 | - | - | - | 879,601 |
| Culture and Recreation | - | 46,198 | - | - | 224,850 |
| Economic Development | - | - | - | - | 175,506 |
| Airport | - | - | 1,279 | - | 1,279 |
| Capital outlay | - | 12,050 | 35,759 | - | 457,916 |
| Debt Service - | | | | | |
| Capital lease payments | - | - | - | - | 293,113 |
| Principal | - | - | - | 110,000 | 110,000 |
| Interest | - | - | - | 50,530 | 68,747 |
| Total expenditures | 213,105 | 58,248 | 37,038 | 160,530 | 3,086,436 |
| Excess (deficiency) of revenues over expenditures | - | 77,531 | (37,038) | 24,708 | 754,255 |
| Other financing sources (uses): | | | | | |
| Transfers to other funds | - | - | - | - | (1,173,562) |
| Transfers from other funds | 100 | - | 37,038 | - | 149,718 |
| | <u>100</u> | <u>-</u> | <u>37,038</u> | <u>-</u> | <u>(1,023,844)</u> |
| Net change in fund balance | 100 | 77,531 | - | 24,708 | (269,589) |
| Fund balance (deficit), beginning | 28,492 | 24,124 | - | 434,145 | 1,065,615 |
| Fund balance, ending | \$ 28,592 | \$ 101,655 | \$ - | \$ 458,853 | \$ 796,026 |

See accompanying independent auditor's report.

(concluded)

Schedule Required by State Law LSA RS 24:513A(1)(a)(3)

City of Bogalusa
Schedule Required by State Law LSA RS 24:513A(1)(a)(3):
Schedule of Compensation, Benefits and Other Payments to Agency Head
December 31, 2014

The following schedule is required by Louisiana State Law LSA RS 24:513(1)(a)(3) on compensation and benefits paid to the agency head:

| | |
|--------------------------|-----------------------|
| Agency Head Name: | Charles Mizell, Mayor |
| Purpose | Amount |
| Salary | \$ 66,956 |
| Benefits-insurance | 7,137 |
| Benefits-retirement | 14,677 |
| Car allowance | 5,537 |
| Per diem | 375 |
| Travel | 766 |
| Registration fees | 900 |
| | <u>\$ 96,348</u> |

See accompanying independent auditor's report.

Information Required by Debt Agreements

CITY OF BOGALUSA, LOUISIANA

INSURANCE-IN-FORCE
DECEMBER 31, 2014
(UNAUDITED)

| <u>Policy</u> | <u>Insurance Company</u> | <u>Term</u> | <u>Policy#</u> | <u>Coverage</u> |
|---|---------------------------------|-----------------------|------------------------------|-----------------|
| Property/Inland Marine | Scottsdale Insurance Company | 3/25/2014-3/25/2015 | CPS1980227 | Various |
| Electronic Equipment | America First Insurance | 1/1/2014-1/1/2015 | IM8107636 | \$ 517,000 |
| Equipment Breakdown | Travelers | 12/31/2013-12/31/2014 | BAJ-BME1- 1942X304-TIL-14 | \$ 100,000 each |
| Crime | Travelers | 2/12/2014-2/12/2017 | 105562262 | \$ 75,000 |
| Airport Liability Lessor's Risk Only | Old Republic Insurance Company | 11/1/2014-11/1/2015 | PR 00258801 | \$ 2,000,000 |
| Worker's Compensation | LA Muni Risk Mgmt Agency | 1/1/2014-1/1/2015 | 70-0289 | \$ 100,000 each |
| Commercial Liability | LA Muni Risk Mgmt Agency | 2/14/2013-2/14/2016 | 100-0330- 00014550 | \$ 500,000 each |
| Law Enforcement Liability | LA Muni Risk Mgmt Agency | 2/14/2013-2/14/2016 | 100-0330- 00014550 | \$ 500,000 each |
| Automotive | LA Muni Risk Mgmt Agency | 2/14/2013-2/14/2016 | 100-0330- 00014550 | \$ 500,000 each |
| Automotive | Houston Specialty Insurance Co. | 3/7/2014-3/7/2015 | HSLR18- 00073-03 | Various |
| Errors and Omissions | LA Muni Risk Mgmt Agency | 2/14/2013-2/14/2016 | 100-0330- 00014550 | \$ 500,000 each |

See independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
PUBLIC UTILITY SYSTEM OPERATIONS
DECEMBER 31, 2014
(UNAUDITED)

Statistics on System Operations

- (a) As of December 31, 2014, there were 4,959 total metered customers for the water system.
- (b) The following rate schedules were in effect during the fiscal year for water services:

Water:

| | Residential and Commercial Inside City | Residential and Commercial Outside City |
|------------------------------|--|---|
| First 3,000 gallons | \$ 15.00 | \$ 30.00 |
| Per additional 1,000 gallons | \$ 2.40 | \$ 4.80 |

- (c) Average monthly billing per residential customer was:

Water, Sewer and Garbage Collection \$ 39.30

- (d) Average monthly billing per commercial customer was:

Water, Sewer and Garbage Collection \$ 43.52

See accompanying independent auditor's report.

ROBERT A. NEILSON
CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

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**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 Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, Louisiana (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Bogalusa's basic financial statements and have issued our report thereon dated June 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the City'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 City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and responses as items 2014-10, 2014-11, 2014-13, 2014-14, and 2014-15 to be material weaknesses.

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. I consider the deficiency described in the accompanying schedule of findings and responses as item 2014-12 to be a significant deficiency.

Compliance and Other Matters

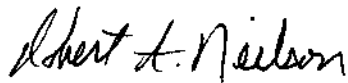
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-1 through 2014-9 and 2014-16.

City of Bogalusa's Responses to Findings

The City of Bogalusa's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The City of Bogalusa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Bogalusa, Louisiana
July 2, 2015

CITY OF BOGALUSA, LOUISIANA
 Schedule of Findings and Responses
 For the Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified for all opinion units presented. Adverse for the reporting entity due to the omission of discretely presented component units

Internal control over financial reporting:

- Material weaknesses identified? X Yes ___ No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes ___ None Reported

Noncompliance material to financial statements noted? X Yes ___ No

Federal Awards – Not applicable

Section II – Findings Affecting the Financial Statements

Noncompliance with laws, regulations, contracts and grant agreements

| | |
|----------------------|--|
| <u>2014-1</u> | Underfunded Retirement System |
| Criteria | State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee’s Retirement System (COBERS) and provides for its administration. R.S. 11:3045(A) states, “The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided.” |
| Condition | At June 30, 2014, the City’s sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2014 was 21% and the net pension liability was \$19,288,118. This is a repeat finding Also, the City owes the retirement system for ad valorem taxes that were deposited in the general fund checking account. |
| Effect | The assets held in trust are severely deficient of the amount needed to pay the pension benefits promised to employees over the long term. |
| Cause | The stock market decline of 2008 combined with other demographic conditions such as an aging workforce and longevity of retirement have caused required contribution levels to increase. The City’s budget has been unable to absorb these increases and therefore the increases have gone unfunded. |

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-1 (continued)

Recommendation The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.

In addition, the City should pay the retirement system the ad valorem taxes held in its general fund checking account.

Management's
Response

The City's Pension Plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded. Long term solutions to this problem are being developed. The City plans on paying the retirement system the amounts held in the general fund checking account.

2014-2

Improper Use of Restricted Funds and Interfund Loans

Criteria

Monies in the G.O. Bond Debt Service Fund #1 and the G.O. Bond Debt Service Fund #4 are to be held in escrow to be used solely to pay principal and interest on certain bond obligations of the City. Monies dedicated for use within the City's Industrial Complex are held in a separate account and fund (the Industrial Complex Sales Tax Fund) and their use is restricted according to voter proposition to Industrial Complex Activities.

Condition

In prior periods, the General Fund improperly borrowed from the Debt Service Funds and the Industrial Complex Sales Tax Fund. These funds were partly repaid in 2014, however the net balance of these borrowings for each fund is \$325,448, \$135,593, and \$88,731, respectively. **This is a repeat finding.**

Effect

Violation of loan agreements, state law and local ordinances

Cause

The City's lack of sufficient operating reserves (unassigned fund balance) caused the City to borrow funds from the G.O. Debt Service Funds when emergencies were encountered in previous years as a result of disasters. The borrowings from the Industrial Complex Sales Tax Fund were a result of capital projects undertaken by the City without consideration to an appropriate means of financing for those projects.

Recommendation

These loans, along **with other interfund loans (or due-to-froms)** that have accumulated over several years, should be repaid. In order to repay these loans, the City will need to significantly reduce costs in its general fund, or raise revenues.

Management's
Response

The City continues to repay the loans from available unrestricted monies and will work to settle all interfund balances. The net amount owed to the G.O. Bond Debt Service Fund #1 will be reduced to \$261,440 by June 30, 2015.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-3

Bond Covenants

| | |
|-----------------------|---|
| Criteria | The covenants of the Water Revenue Bonds, Series 2009 A and B, and the Revenue Refunding Bonds, Series 2012 require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the Assets, Revenue and Expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds. |
| Condition | <i>The sinking fund for the Series 2009 A and B bonds was insufficiently funded at December 31, 2014 and the sinking fund for the Series 2012 bonds had not been established. Additionally, a separate accounting for Water System Operations has not been developed. This is a repeat finding.</i> |
| Effect | Violation of bond covenants. |
| Cause | The City's finance staff are not familiar with the terms of the bonds, and according to them, were misinformed by consultants regarding the need for such funds. Additionally this condition may have been attributable to monies transferred to the general fund prior to satisfying the sinking fund requirements. |
| Recommendation | The City should periodically review all bond covenants and ensure that the City is in compliance. Additionally, the Water and Sewer and Garbage Operations should be separated into separate funds. |
| Management's Response | The lack of funding of the sinking funds was a result of misunderstanding of the covenants and requirements of the bonds. The City's administration was of the understanding, based upon consultations with consultants, that such accounts were not required. Going forward, the sinking fund accounts will be adequately funded prior to making transfers to the general fund and a separate fund will be applied for the Water System. The sinking fund account was established in May 2015 and is in the process of being funded. The City would like to point out that despite the lack of sinking fund deposits, the debt payments have been made as scheduled. |

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

| | |
|-----------------------|---|
| <u>2014-4</u> | Violation of the Local Government Budget Act and Negative Fund Balance |
| Criteria | Louisiana Revised Statute 39:1311A(1-2) requires that the budget shall be amended when total revenue and other sources (including fund balance from prior years) plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more and total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more. |
| Condition(s) | <i>Expenditures of several of the City's funds, including the General Fund and the Industrial Complex Sales Tax Fund exceeded the budgeted amount by more than 5%. Additionally, the General Fund's actual revenues, transfers-in and beginning fund balance, when combined, have fallen short of the amount budgeted by more than 5%. And finally, the City's general fund had a negative fund balance of \$1,353,251 at December 31, 2014. This is a repeat finding.</i> |
| Effect: | The negative variances of more than five percent are a violation of Louisiana Revised State 39:1311A(1-2) and are a major contributor to the City's unfavorable financial condition. |
| Cause | The budgets are prepared using overly optimistic projections of revenues and expenditures. Progress was made toward eliminating the negative fund balance in 2014 as evidenced through an operating surplus, but much more progress is needed. |
| Recommendation | The City should use more realistic projections of revenues, expenditures, and available fund balances when preparing operating budgets. Additionally, the City should revisit its current budget and seek cost savings through expenditure reductions and revenue enhancements. |
| Management's Response | The City is currently operating under a financial plan to improve the City's financial condition. The plan employs the use of realistic budgets that employ expenditure reductions and other measures. Progress toward that plan was achieved in 2014 as evidenced from the \$721,415 positive change in fund balance surplus for 2014. |

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

| | |
|-----------------------|--|
| <u>2014-5</u> | Noncompliance with the Retirement System's Investment Policy |
| Criteria | The City of Bogalusa Employees' Retirement System Statement of Investment Policies & Objectives was adopted by the Board of Trustees to serve as the official policy regarding the investment policy and practices for the System. The policy lists permissible investment equities as domestic common stocks, convertible bonds, preferred stocks, and REITS. |
| Condition | The City of Bogalusa Employees' Retirement System invested in foreign common stock during the audit period. This is a repeat finding. |
| Effect | Violation of the Retirement System's investment policies. |
| Recommendation | <i>The System should trade these holdings for a permissible investment or amend its investment policy.</i> |
| Cause | <i>The investment market is now more global, but the policy may be outdated.</i> |
| Management's Response | The System will revisit the current investment policy to determine the most appropriate strategy in today's market. |

| | |
|----------------------|--|
| <u>2014-6</u> | Choctaw Road Landfill Deficit |
| Criteria: | Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City. |
| Condition: | It was noted during my audit that the City owes the landfill \$866,323; \$543,823 of which is non-current. Additionally, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of approximately \$334,884 in 2014, while the City's share of the costs to operate the Landfill were approximately \$418,000. |
| Cause: | From this information, it appears the funding with which the City relies upon to support the Landfill may no longer be sufficient to support their annual share of the Landfill's operational costs. |
| Effect: | If this underfunding is not addressed, this could have an impact on the operations of the Landfill and their plans to build out new cells in the near future. |

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-6

Choctaw Road Landfill Deficit (continued)

Recommendation I strongly recommend that management evaluate the effect of the City's financial situation and its potential consequences on the operations of the Landfill and develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.

Management's Response

The Parish President and the Mayor of the City of Bogalusa met to discuss the financial condition of the Landfill and the corresponding funding as it has been provided for in the past. The economic and sociological make up of the City and Parish have changed over the past years, however the responsibility for landfill cost has remained unchanged. The parties will explore options for working together to provide adequate funding for the future of the landfill in accordance with current requirements of each partner.

2014-7

Violation of the Local Depositories Collateral Requirements

Criteria Louisiana Revised Statute 39:1225 requires that deposits in banks to be collateralized in full for the amount on deposit that exceeds the Federal Deposit Insurance Corporation (FDIC) coverage.

Condition(s) The City has a deposit account at a bank where the balance is in excess of the FDIC coverage amount. State law requires the amount of deposits that is in excess the federal insurance coverage to be collateralized in a manner described in the state law. The bank where the City deposited these funds did not collateralize the excess uninsured deposits.

Effect: The City did not comply with the requirements of LRS 39:1225.

Cause The City received capital lease proceeds from Government Capital Corporation in 2013 of \$825,000 to be used to finance the acquisition of capital assets. The net cash remaining to be spent at December 31, 2014 of \$370,302 on capital acquisitions is on deposit in a bank that did not provide collateral for the amount in excess of the FDIC.

Recommendation The City should require the bank holding its deposits to provide collateral for any amount that exceeds the FDIC coverage in accordance with State Law.

Management's Response

The City will contact the bank and require the collateral to be pledged to cover the amount on deposit that is in excess of the FDIC limit.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-8

Violation of the Securities of Public Entities Requirement

| | |
|-----------------------|--|
| Criteria | Louisiana Revised Statute 39:1438C requires public entities to maintain documentation evidencing compliance with the Securities and Exchange Commission (SEC) Section 240.15c2-12 of Title 17 and file required information with the Electronic Municipal Market Access (EMMA) system that is maintained by the Municipal Securities Rulemaking Board. |
| Condition(s) | The City has outstanding debt, or securities, that require compliance with the provisions of LRS 39:1438C. The City did not comply with the requirements of the statute as of December 31, 2014, as not all required documents were submitted to EMMA. |
| Effect | The City did not comply with the requirements of LRS 39:1438C. |
| Cause | The City was not aware of the requirements of this new law. |
| Recommendation | The City's management should familiarize itself with the requirements of this law and take steps to comply with its requirements. |
| Management's Response | The City has taken the steps necessary to comply with this law and is compliant as of the date the audit report was released. |

2014-9

Compensated Absences/Accumulated Leave

| | |
|--------------|---|
| Criteria | Accrual, use, and pay-out of compensated leave should occur according to documented policies and procedures. The tracking of unused leave should be computerized to ensure a centralized and accurate accounting of accrued leave. |
| Condition(s) | <p>The City paid an active employee in lieu of taking leave in the amount of \$47,695. The City's general policy calls for payment of unused leave upon termination unless otherwise required by union contracts. The employee remains in that position.</p> <p>Additionally, the City's leave records are decentralized, manual and not linked to the computerized payroll system.</p> |
| Effect | Possible noncompliance with City policies and procedures. Additionally, the City may have disbursed funds prior to the time at which it was obligated to pay them. Given the City's financial condition, payout of such leave should not occur until the point at which such payment is required. |

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-9

Compensated Absences/Accumulated Leave (continued)

Recommendation The City should re-visit current policies and procedures for consistency with union contracts and for clarity. Pay-out of unused leave should be made according to policy. We also recommend that official *compensated absence/annual leave records* be kept as a part of a centralized database that is interfaced with the payroll system.

Management's
Response

The new administration will re-visit the policies and procedures and make sure they are clearly documented and consistently applied.

Internal Control Matters

2014-10

Utility Bill Adjustments and Cut-off enforcement

Criteria

AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls are designed to provide reasonable assurance that the entity's objectives regarding financial reporting, operations, and compliance with applicable laws and regulations are being met. One of the objectives of the City's internal controls is the maximizing of utility system revenues, which should include a policy for customer billing adjustments and cut-off enforcement.

Condition(s)

From time-to-time and as a standard and appropriate business procedure, adjustments to customers' utility bills are made due to unknown leaks, incorrect meter readings and other reasons. However, the City lacks a policy setting forth the reasons for which adjustments may be made, which might allow administrative officials in charge of approving the adjustments an inordinate amount of discretion. Additionally, no formal documentation is required when billing adjustments are made and approved. We also noted approximately 250 customer accounts totaling approximately \$45,000 containing both currently due bills and bills past-due for more than 60 days. This indicates a lack of cut-off of customer accounts for non-payment.

Three of these customers were identified in our test as home addresses of employees of the City during 2014. In addition, one these customer's meter location is at a property owned by a City official during 2014 (although the account is not in the official's name).

Effect

The absence of a policy that establishes the reasons and authority for billing adjustments combined with the lax enforcement of water cut-offs results in less than optional revenue.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-10

Utility Bill Adjustments and Cut-off enforcement (continued)

Recommendation We recommend the City adopt a policy regarding billing adjustments and that all adjustments be approved, in writing according to that policy. We also recommend strict enforcement of the cut-off policy. We further recommend a policy that requires City employees or officials to keep their utility billing account current. Adoption and enforcement of such policies could help maximize Utility system revenues.

Management's Response:

The Director of Administration will draft a policy, have it approved by the appropriate authorities and incorporate it into the City's policies and procedures manual. Strict enforcement of the City's cut-off policy of 60 days past due will also occur.

2014-11

Reconciliation of Accounts Receivable

Criteria AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. *Timely reconciliation of accounts receivable to subsidiary ledgers (aging reports) helps accomplish this objective.*

Condition Utility System accounts receivable per the general ledger are not being reconciled to subsidiary billing ledgers on an ongoing basis. Also, the City's current accounting process does not allow for the ongoing recording of utility bill adjustments into the general ledger (accounting records). **This is a repeat finding.**

Effect The revenue, expenditures, fund equities and net position reported in financial statements of the utility fund could be misstated.

Cause Conversions to new accounting and billing systems.

Recommendation The City's staff should receive training on the new systems and should reconcile the accounts on a monthly basis. Discrepancies should be investigated and resolved. Also, billing adjustments should be recorded on an ongoing basis and accounts receivable should reconcile the billing system monthly.

Management's Response

The accounting system support company will be contacted to provide training to City personnel.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-12

Internal financial reporting

- Criteria: Financial reports provided to the mayor and the council should be complete and accurate, yet concise and straightforward enough to allow for appropriate monitoring of financial condition and decision making.
- Condition: The City's internal and monthly financial reporting process did not allow for sufficient monitoring and decision making by the mayor and council.
- Cause: The financial reports provide excessive detail of expenditures compared to budget for the year, but do not present the financial condition (fund balance). As a result, the reports generated by the administrative staff are insufficient for proper decision-making.
- Effect: Decisions are being made without complete information.
- Recommendation: Monthly financial reports should include revenues and expenditures *compared to budget for all major funds of the City as well as the existing fund balance*. Fund balance should be clearly identified as to what has been previously encumbered and what is available for spending.
- Management's Response: The monthly financial reporting process is being redesigned and will include the aforementioned features.

2014-13

Payroll processing and pay rate authorization

- Criteria: AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported expenses. Accurate and current approved forms documenting pay rates and segregation of duties of payroll processing and access to modify pay rates helps accomplish this objective.
- Condition: The City does not have current approved pay rate change forms or documentation on employees. Our test of payroll transaction indicated the latest approved pay rate change form was in 2009. The pay rate *being paid to the employees in our test of payroll transactions did not agree to the approved documented pay rate in the personnel files*. Also, the City employee(s) responsible for processing payroll have the ability to change the pay rate of employees without having approved documentation to make the change.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-13

Payroll processing and pay rate authorization (continued)

- Cause:** Management is not completing and approving the forms necessary to evidence pay rate modifications. Also, the personnel files on the employee's payroll tested did not contain the documentation necessary for us to determine if the pay rate being paid was approved. In addition, the City does not require or has assigned a separate employee from payroll to have sole access to making pay rate changes in the payroll software system and who is separate from the payroll processing.
- Effect:** Without approved documentation, evidence does not exist to support the pay rate being paid to employees. The employee processing payroll having the ability to modify pay rates has the opportunity to misappropriate funds.
- Recommendation:** Management should adopt a pay rate change form, or other suitable documentation, and require this form prior to any modification of pay rates in the payroll system. This documentation should be maintained in the personnel files of each employee. Also, management should designate an employee separate from the payroll processing personnel to have sole access to pay rate modifications.
- Management's Response:** Management will begin requiring an approved pay rate change form prior to any modification of pay rates in the payroll system. Also, management will explore assigning a separate employee from payroll to have access to modify pay rates in the payroll system.

2014-14

Processing of collections

- Criteria:** AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and receivables. Procedures on segregating of duties with an employee's access to their own account, approval process for voiding transactions and handling of cash deposits helps accomplish this objective.
- Condition:** The City has employees, or cashiers, whose responsibilities include the collection of payments received from customer or citizens for utility payments, property taxes, and other matters. During our current year review of the collection process we noted the following matters that could cause assets to be misappropriated:
- Cashiers have the ability to collect and record payments to their own account in the system.
 - Cashiers have the ability to void transactions that are recorded initially in error without concurrently having a supervisor approve the void. Voids are approved but only after they have been processed.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-14

Processing of collections (continued)

| | |
|-----------------------|---|
| Cause | Policies and procedures are lacking with the process of collecting and recording receipts by the cashiers. Also, review and approval processes are not being done timely. |
| Effect | Allowing employees to have access to record or modify transactions into their own account allows opportunities for misappropriation of assets to occur. This could also result from allowing the cashiers to void transactions without a concurrent supervisor approval of the void to continue with the collection and recording of the transaction. Also, not requiring all cash to be deposited each day could result in misappropriation of assets. |
| Recommendation | Management should adopt or modify its collection process to include restricting cashiers from accessing their own accounts, requiring concurrent approval of voids in the system, and requiring all cash collected to be deposited with the bank. |
| Management's Response | Management will make modification to the collection software system to restrict an employee's access to their own account. This modification will include a requirement for a supervisor to enter an approval into the register for voids before the cashier can continue with the receipt process. In addition, management will require all cash to be deposited and prohibit cash overages to be left in the cash drawer. |

2014-15

Capital Asset Records

| | |
|----------------|---|
| Criteria | Capital Asset records should be maintained in accordance LA Revised State 24:515. Capital Asset system should capture information such as tagging numbers or identifying numbers, serial numbers, funding source, department, cost and dates of purchase. |
| Condition | Capital Asset accounting records do not contain tagging or serial numbers or funding source. Additionally, the records are updated only once per year through a manual process lacking efficiency and automation. Donated assets are not formally tracked and added to the records. One such donated asset is the building that houses the local charter school; however, documentation was not available to make a final determination if this building's title was transferred to the City. |
| Cause | Outdated accounting systems and processes. |
| Effect | Without a centralized and automated process, assets may go unaccounted for. |
| Recommendation | The City should centralize and automate its capital asset records and include all identifying information and donated assets. |

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

2014-15

Capital Asset Records (continued)

Management's
Response

The City is considering options for accounting for capital assets, including utilization of modules within a recently purchased accounting system.

2014-16

Non-compliance with State Audit Law

Criteria

La. R.S. 24:513 provides that an annual audit must be remitted to the *Louisiana Legislative Auditor within six months of the close of the fiscal year.*

Condition

This deadline was not met for the current year.

Effect

The City is non-compliant with the audit law.

Cause

Complex audit and accounting matters that needed to be resolved.

Recommendation

The City and the Auditor should resolve complex matters earlier in the audit process.

Management's
Response:

We will work with our auditor to resolve issues more timely.

Section III – Federal Award Findings and Questioned Costs

Not Applicable

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

Section II – Financial Statement Findings

2013-1

Underfunded Retirement System

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| Criteria | State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee’s Retirement System (COBERS) and provides for its administration. R.S. 11:3045(A) states, “The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided.” |
| Condition | <p>At June 30, 2013, the City’s sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2013 was 28.8% and the unfunded actuarial accrued liability was \$16,564,513.</p> <p>Also, the City owes the retirement system for ad valorem taxes that were deposited in the general fund checking account.</p> |
| Effect | The assets held in trust are severely deficient of the amount needed to pay the pension benefits promised to employees over the long term. |
| Cause | The stock market decline of 2008 combined with other demographic conditions such as an aging workforce and longevity of retirement have caused required contribution levels to increase. The City’s budget has been unable to absorb these increases and therefore the increases have gone unfunded. |
| Recommendation | <p>The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.</p> <p><i>In addition, the City should pay the retirement system the ad valorem taxes held in its general fund checking account.</i></p> |
| Management’s Response | The City’s Pension Plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded. Long term solutions to this problem are being developed. |
| Current Status: | The condition still exists. See finding 2014-1. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

2013-2

Improper Use of Restricted Funds and Interfund Loans

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| Criteria | Monies in the Debt Service Fund and Street Overlay Fund are to be held in escrow to be used solely to pay principal and interest on certain bond obligations of the City. Monies dedicated for use within the City's Industrial Park are held in a separate account and fund and their use is restricted according to voter proposition to Industrial Park Activities. |
| Condition | In prior periods, the General Fund improperly borrowed \$660,000 from the Debt Service Fund and \$151,030 from the Street Overlay Fund. During the 2013 fiscal period, approximately \$1,200,000 was improperly borrowed from the Industrial Park fund. |
| Effect | Violation of loan agreements, state law and local ordinances |
| Cause | The City's lack of sufficient operating reserves (unassigned fund balance) caused the City to borrow funds from the G.O. Debt Service Fund and the Street Overlay Funds when emergencies were encountered in previous years as a result of disasters. The current year's borrowings from the Industrial Park Fund were a result of capital projects undertaken by the City without consideration to an appropriate means of financing for those projects. The City fell short of cash in the general, capital outlay and special revenue funds was forced to finance these projects from the only fund with available cash, the Industrial Park Fund. A contributing factor to this condition was the lack of current internal financial statements to show the monies available within the various funds as result of an accounting system crash and subsequent conversion to a new system. |
| Recommendation | These loans, along with other interfund loans that have accumulated over several years, should be repaid. In order to repay these loans, the City will need to significantly reduce costs in its general fund, or raise revenues. Additionally, the City should prioritize its system conversion so that current and accurate financial statements can be presented to decision makers. |
| Management's Response | In 2012 and 2013, the City's General Fund began to repay these borrowings. Approximately \$120,000 and \$100,000 was repaid to the Debt Service Fund for 2012 and 2013, respectively, leaving a balance owed of \$440,000. The Street Overlay funds owed have been reduced by \$21,030, leaving a balance of \$130,000 owed thru December 31, 2013. The City will continue to repay the debt as funds become available. |
| Current Status: | The condition still exists. See finding 2014-2. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

2013-3

Bond Covenants

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| Criteria | The covenants of the Water Revenue Bonds, Series 2009 A and B, and the Revenue Refunding Bonds, Series 2012 require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the Assets, Revenue and Expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds. |
| Condition | The sinking fund for the Series 2009 A and B bonds was insufficiently funded at December 31, 2013 and the sinking fund for the Series 2012 bonds had not been established. Additionally, a separate accounting for Water System Operations has not been developed. |
| Effect | Violation of bond covenants. |
| Cause | The City's finance staff are not familiar with the terms of the bonds, and according to them, were misinformed by consultants regarding the need for such funds. |
| Recommendation | The City should periodically review all bond covenants and ensure that the City is in compliance. Additionally, the Water and Sewer and Garbage Operations should be separated into separate funds. |
| Management's Response | The lack of funding of the sinking funds was a result of misunderstanding of the covenants and requirements of the bonds. The City's administration was of the understanding, based upon consultations with consultants, that such accounts were not required. Going forward, the sinking fund accounts will be adequately funded and a separate fund will be applied for the Water System. |
| Current Status: | The condition still exists. See finding 2014-3. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

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| <u>2013-4</u> | Violation of the Local Government Budget Act and Negative Fund Balance |
| Criteria | Louisiana Revised Statute 39:1311A(1-2) requires that the budget shall be amended when total revenue and other sources (including fund balance from prior years) plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more and total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more. |
| Condition(s) | Expenditures of several of the City's funds, including the General Fund, the Industrial Park Fund and the Recreation Fund exceeded the budgeted amount by more than 5%. Additionally, the City's actual revenue and beginning fund balance, when combined, have fallen short of the amount budgeted by more than 5%. And finally, the City's general fund had a negative fund balance of \$2,074,666 at December 31, 2013. |
| Effect: | The negative variances of more than five percent are a violation of Louisiana Revised State 39:1311A(1-2) and are a major contributor to the City's unfavorable financial condition. |
| Cause | The budgets are prepared using overly optimistic projections of revenues and expenditures. Additionally, large capital projects were undertaken during the fiscal year without adequate assessment of the means of financing these projects. |
| Recommendation | The City should use more realistic projections of revenues, expenditures, and available fund balances when preparing operating budgets and when planning and procuring large capital projects. Additionally, the City should revisit its current budget and seek cost savings through expenditure reductions and revenue enhancements. |
| Management's Response | The City is currently developing a financial plan to improve the City's financial condition. The plan will employ the use of realistic budgets that employ expenditure reductions and other measures. |
| Current Status: | The condition still exists. See finding 2014-4. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

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| <u>2013-5</u> | Noncompliance with the Retirement System's Investment Policy |
| Criteria | The City of Bogalusa Employees' Retirement System Statement of Investment Policies & Objectives was adopted by the Board of Trustees to serve as the official policy regarding the investment policy and practices for the System. The policy lists permissible investment equities as domestic common stocks, convertible bonds, preferred stocks, and REITS. |
| Condition | The City of Bogalusa Employees' Retirement System invested in foreign common stock during the audit period. |
| Effect | Violation of the Retirement System's investment policies. |
| Recommendation | The System should trade these holdings for a permissible investment or amend its investment policy. |
| Cause | The investment market is now more global, but the policy may be outdated. |
| Management's Response | The System will revisit the current investment policy to determine that most appropriate strategy in today's market. |
| Current Status: | The condition still exists. See finding 2014-5. |

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| <u>2013-6</u> | Taxes Levied to Service General Obligation Bonds |
| Criteria | Article VI, Section 33 of the Louisiana Constitution states: <i>The governing authority of the issuing political subdivision shall levy and collect or cause to be levied and collected on all taxable property in the political subdivision ad valorem taxes sufficient to pay principal and interest and redemption premiums, if any, on such bonds as they mature.</i> |
| Condition | The City has accumulated funds in its General Obligation Sinking fund #4 in slightly above the amount needed to service the bonds for which it accumulates funds (the 2007 overlay bonds). Additionally, amounts on hand to serve as a debt service reserve from this fund and the General Obligation Sinking Fund #1 have been used to make loans to other funds in prior years. |
| Effect | The City may be levying taxes in an amount more than needed to pay the debt. |
| Cause | The balance in the funds is not reviewed upon determination of the millages to be approved and assessed. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

2013-6 (continued)

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| Recommendation | The City's administrative officer should review the fund balance in all sinking funds prior to bringing the millages to the City Council for adoption. Additionally all loans made from the funds to other funds should be repaid to allow for appropriate cash reserves. |
| Management's Response | The City is currently developing a plan to return its general fund to solvency and to address other financial needs. Once the financial condition of the general fund is adequate, the interfund loans will be repaid and the millages decreased to a level that, when combined with existing fund balance of the sinking funds, are sufficient to service the remaining debt. |
| Current Status | Levies of G.O. bond millages were reduced in 2014 and the fund balance of the sinking funds is now maintained at an appropriate level. Finding cleared. |

Internal Control Matters

2013-7

Utility Bill Adjustments

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| Criteria | AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls are designed to provide reasonable assurance that the entity's objectives regarding financial reporting, operations, and compliance with applicable laws and regulations are being met. An objective of the City's internal controls is for the maximizing of utility system revenues, which should include a policy for customer billing adjustments. |
| Condition | From time-to-time and as a standard and appropriate business procedure, adjustments to customers' utility bills are made due to unknown leaks, incorrect meter readings and other reasons. However, the City lacks a policy setting forth the reasons for which adjustments may be made, which might allow administrative officials in charge of approving the adjustments an inordinate amount of discretion. Additionally, no formal documentation is required when billing adjustments are made and approved. |
| Effect | The absence of a policy that establishes the reasons and authority for billing adjustments combined with the lack of documentation for said adjustments could result in fraud and abuse with respect to the utility system billings. |
| Recommendation | We recommend the City adopt a policy regarding billing adjustments and that all adjustments be approved, in writing according to that policy. Adoption of such a policy could help maximize Utility system revenues. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

Internal Control Matters

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| <u>2013-7</u> | Utility Bill Adjustments (continued) |
| Management's Response | The Director of Administration will draft a policy, have it approved by the appropriate authorities and incorporate it into the City's policies and procedures manual. |
| Current Status: | The condition still exists. See finding 2014-10. |
| <u>2013-8</u> | Reconciliation of Accounts Receivable and Payable |
| Criteria | AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Timely reconciliation of accounts receivable and payable to subsidiary ledgers (aging reports) helps accomplish this objective. |
| Condition | Utility System accounts receivable and accounts payable per the general ledger is not being completely reconciled to subsidiary ledgers on an ongoing basis. Also, the City's current accounting process does not allow for the ongoing recording of utility bill adjustments into the general ledger (accounting records). |
| Effect | The revenue, expenditures, fund equities and net position reported in financial statements of the utility fund could be misstated. |
| Cause | Conversions to new accounting and billing systems. |
| Recommendation | The City's staff should receive training on the new systems and should reconcile the accounts on a monthly basis. Discrepancies should be <i>investigated and resolved</i> . Also, <i>billing adjustments should be recorded</i> on an ongoing basis and accounts receivable should reconcile the billing system monthly. |
| Management's Response | The accounting system support company will be contacted to provide training to City personnel. |
| Current Status: | The condition still exists. See finding 2014-11. |

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2013

2013-9

Choctaw Road Landfill Deficit

Criteria: Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City.

Condition: It was noted during our audit that the City owes the landfill \$769,055; \$441,556 of which is in arrears. Additionally, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of approximately \$342,000 in 2013, while the City's share of the costs to operate the Landfill were approximately \$370,000.

Cause: From this information, it appears the funding with which the City relies upon to support the Landfill may no longer be sufficient to support their annual share of the Landfill's operational costs.

Effect: If this underfunding is not addressed, this could have an impact on the operations of the Landfill and their plans to build out new cells in the near future.

Recommendation: We strongly recommend that management evaluate the effect of the City's financial situation and its potential consequences on the operations of the Landfill and develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.

Management's Response: The Parish President and the Mayor of the City of Bogalusa met to *discuss the financial condition of the Landfill and the corresponding funding as it has been provided for in the past.* The economic and sociological makeup of the City and Parish has changed over the past 5 years; however the responsibility for landfill cost has remained unchanged. The parties will explore options for working together to provide adequate funding for the future of the landfill in accordance with current requirements of each partner.

Current Status: The condition still exists. See finding 2014-6.

2013-10

Transfers of Restricted Cash

Criteria: Proper internal controls requires the documented approval of transfers between funds and accounts. Two-party clearance (security) is also an effective internal control to ensure transfers are authorized.

Condition: The City's accounting department lacks a process to document approval of transfers of cash among funds and two-party security are not required.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
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2013-10

Transfers of Restricted Cash (continued)

Cause: The process for transferring cash was not properly designed.

Effect: The process as designed currently allows for transfers of cash between funds by one person that may or may not be authorized.

Recommendation: A document should be developed\ designed and utilized for the approval of interfund transfers. In coordination with the bank, two-party control should be established.

Management's response: An approval form will be utilized and dual access control will be established with the bank.

Current Status: Dual approval is now required for all bank transfers. Finding cleared.

2013-11

Internal financial reporting

Criteria: Financial reports provided to the mayor and the council should be complete and accurate, yet concise straightforward enough to allow for appropriate monitoring of financial condition and decision making.

Condition: The City's internal and monthly financial reporting process does not allow for sufficient monitoring and decisions making by the mayor and council.

Cause: The financial reports provide excessive detail of expenditures compared to budget for the year, but do not present the financial condition. The reports generated by the administrative staff are insufficient.

Effect: Decisions are being made without complete information.

Recommendation: Monthly financial reports should include revenues and expenditures compared to budget for all major funds of the City as well as the existing fund balance. Fund balance should be clearly identified as to what has been previously encumbered and what is available for spending.

Management's Response: The monthly financial reporting process is being redesigned and will include the aforementioned features.

Current Status: The condition still exists. See finding 2014-12.