



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 2, 2013

CITY OF BOGALUSA

The City of Bogalusa closed 2012 with a deficit in its general fund of more than \$1.1 million, virtually unchanged from the previous year and a sign of operating shortages, according to an audit released by Legislative Auditor Daryl Purpera's office Monday.

"General fund expenditures in excess of revenues for 2007, 2008, 2010 and 2011 have led to the current situation," according to the audit, conducted by Robert A. Neilson, a certified public accountant in Bogalusa. The report stated that if the fund balance "is not brought into a positive position and a higher level of a fund balance is not maintained, the city's operations could be severely hampered."

The \$1.14 million deficit fund balance in Bogalusa's "primary operating fund signifies financial stress upon the city," the audit said. "The level of gains needed through expenditure cuts and revenue increases in order to erase the deficit financial position has not materialized."

The audit showed that in 2012 city officials transferred approximately \$2 million from Bogalusa's utility system fund to the general fund but still ended up with a total \$1.14 million deficit.

The report also showed deficits in two other city funds: \$411,500 in a landfill fund and almost \$188,000 in a youth recreation and parks fund.

Auditors said city officials are aware of the cash flow and fund balance issues and have developed a plan to improve Bogalusa's finances by cutting expenses and raising revenues.

Auditors pointed out that more than half of \$1.173 million of receivables from utility operations was set aside as uncollectible.

Bogalusa officials have entered into a short-term borrowing arrangement with a bank for up to \$1.99 million to aid financing operations of the city. The loan must be repaid by March 1.

Auditors also found:

- The city's general fund "improperly borrowed" \$660,000 from a bond debt service fund and \$151,030 from a street overlay fund in past years, money that should have been held in escrow and used only to pay principal and interest on



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bonds. The report said with payments made last year, the street overlay fund is now owed \$130,000 and the debt service fund is still owed \$540,000.

- The city violated retirement system investment policies by investing in foreign common stock.
- The City's procedures over accounts payable and purchasing are not being followed by officials.
- The city did not properly finance a reserve fund for refinancing bonds and water revenue bonds as the bond agreements required.

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Legislative Auditor

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