

CITY OF BOGALUSA, LOUISIANA

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

Year Ended December 31, 2012

City of Bogalusa, Louisiana
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December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Honorable Charles E. Mizell, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bogalusa, Louisiana, as of and for the year ended December 31, 2012, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Qualified Opinion on Discretely Presented Component Units and Aggregate Remaining Fund Information

The financial statements referred to above include only the primary government of the City of Bogalusa, Louisiana, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. With the exception of the City of Bogalusa Employees' Retirement System, the financial statements do not include financial data for all of the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial data of the City's primary government. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined.

In my opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects the financial position of the aggregate discretely presented component units and the aggregate remaining fund information of the City of Bogalusa, Louisiana, as of December 31, 2012, and the changes in financial position for the year then ended.

Unmodified Opinions

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Bogalusa, Louisiana as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 - 11), budgetary comparison information (pages 57 - 67), and schedule of funding progress (pages 54 - 56) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

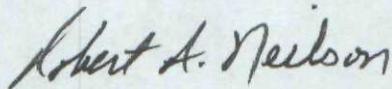
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bogalusa, Louisiana's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The information required by debt agreements has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 20, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bogalusa's internal control over financial reporting and compliance.



Bogalusa, Louisiana
June 20, 2013

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

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(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, 2012 and 2011. 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 2012 by \$29.58 million (total net position). Unrestricted net position is in a deficit position of \$11.85 million. This 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 \$13.67 million. These expenses were paid from revenues of approximately \$14.19 million, consisting of \$9.06 million generated from taxes, \$1.42 million generated from other revenues for governmental programs, \$1.71 million generated from grants and contributions, and \$2.01 million generated from transfers from business-type activities.
- In the City's business-type activities, expenses amounted to approximately \$4.61 million. These expenses were paid from revenues of \$4.09 million for service charges and \$1.80 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 \$1.85 million, a decrease of approximately \$.07 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 \$12.19 million in total net position (including capital assets) for the close of the fiscal year, or a decrease of approximately \$.72 million to prior year total net position, largely because of an increase in pension contributions.
- The general fund reported a deficit fund balance of \$1.14 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, 2012
(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, 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, 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 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's 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, the Schedule of Funding Progress, the Schedule of Employee Contributions for the City of Bogalusa Employees' Retirement System and OPEB, and the Assumptions and Methods Related to Actuarial Valuation), 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, 2012
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City reported combined net position at the end of fiscal year 2012 in the amount of \$29,583,778, a decrease of \$189,781 from fiscal year 2011. 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)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 6.82	\$ 6.97	\$ 1.24	\$ 1.85	\$ 8.06	\$ 8.82
Capital assets	26.84	26.68	20.09	19.85	46.93	46.53
Total assets	33.46	33.65	21.33	21.70	54.99	55.35
Long-term debt outstanding	11.77	12.22	8.94	8.23	20.71	20.45
Other liabilities	4.43	4.57	.20	.55	4.63	5.12
Total liabilities	16.20	16.79	9.14	8.78	25.34	25.57
Deferred inflows	0.06	-	-	-	0.06	0.00
Net position						
Net investment in capital assets	23.25	22.65	13.70	13.17	36.95	35.82
Restricted	4.03	4.15	.45	1.02	4.48	5.17
Unrestricted	(9.89)	(9.94)	(1.96)	(1.27)	(11.85)	(11.22)
Total net position	<u>\$ 17.39</u>	<u>\$ 16.86</u>	<u>\$ 12.19</u>	<u>\$ 12.92</u>	<u>\$ 29.58</u>	<u>\$ 29.78</u>

The largest portion of the City of Bogalusa's net position (125%) 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 is still outstanding. These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Bogalusa's net position (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (-40%) represents a deficit due to debt obligations on pension systems and other liabilities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

Changes in net position

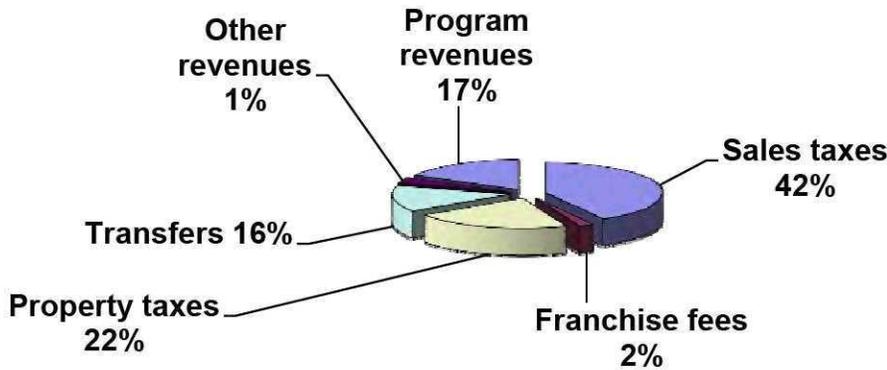
The City's total revenue and expenses for governmental and business-type activities are reflected in the following chart:

	Changes in Net Position (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$.72	\$.77	\$ 4.09	\$ 4.12	\$ 4.81	\$ 4.89
Oper. grants & contrib.	.86	1.14	-	-	.86	1.14
Capital grants & contrib.	.85	.23	.62	.32	1.47	.55
General revenues:						
Property taxes	3.07	3.01	.18	.17	3.25	3.18
Sales taxes	5.96	5.49	.81	.75	6.77	6.24
Franchise fees	.28	.35	-	-	.28	.35
Unrestricted interest	.01	.01	.03	.02	.04	.03
Miscellaneous	.44	.89	.15	.02	.59	.91
Transfers	<u>2.00</u>	<u>1.29</u>	<u>(2.00)</u>	<u>(1.29)</u>	<u>-</u>	<u>-</u>
Total revenues	14.19	13.18	3.88	4.11	18.07	17.29
Expenses:						
General government	5.49	5.24	-	-	5.49	5.24
Public safety	4.81	4.92	-	-	4.81	4.92
Public works	1.84	2.21	-	-	1.84	2.21
Landfill	.27	.23	-	-	.27	.23
Culture & recreation	.20	.18	-	-	.20	.18
Economic development	.37	.19	-	-	.37	.19
Airport	.54	.21	-	-	.54	.21
Interest on long term debt	.14	.19	-	-	.14	.19
Water, sewer, & garbage	<u>-</u>	<u>-</u>	<u>4.61</u>	<u>3.85</u>	<u>4.61</u>	<u>3.85</u>
Total expenses	\$ 13.66	\$ 13.37	\$ 4.61	\$ 3.85	\$ 18.27	\$ 17.22
Change in net position	.53	(.19)	(.73)	.26	(.20)	.07
Net position, beginning	<u>16.86</u>	<u>17.05</u>	<u>12.92</u>	<u>12.66</u>	<u>29.78</u>	<u>29.71</u>
Net position, ending	<u>\$ 17.39</u>	<u>\$ 16.86</u>	<u>\$ 12.19</u>	<u>\$ 12.92</u>	<u>\$ 29.58</u>	<u>\$ 29.78</u>

The City's net position of governmental activities increased by \$534,737. Revenues increased in the governmental activities by approximately \$1,019,000 due to increase in capital grants and contributions and increase in transfers from business-type activities. Expenses increased by approximately \$290,000 as a result increases in expenses for economic development and the airport. A decrease in net position of (\$724,518) occurred in business-type activities, primarily due to increase in pension contribution. On a combined basis, the City's change in net position, or net economic earnings, were in excess of approximately \$1,937,000 when excluding depreciation expense.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

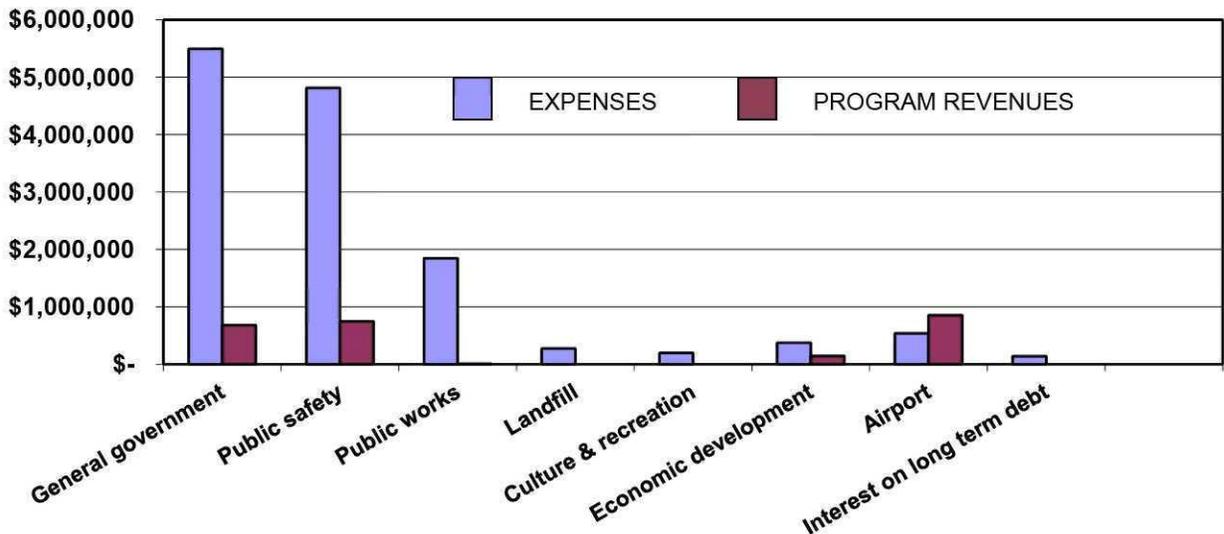
Revenues by Source - Governmental Activities



Revenues for the City's governmental activities for the year ended December 31, 2012 were \$14,202,170. General revenues, specifically sales tax revenue and property tax revenue, are the largest components of revenues (64%). Sales taxes represent approximately 42% of government activity revenue and totaled \$5,957,674 for 2012, a slight increase of 0.09% over 2011.

The cost of all governmental activities in 2012 was \$13,667,433. These costs were essentially covered by the sources of revenue as outlined above.

Expenses and Program Revenues - Governmental Activities

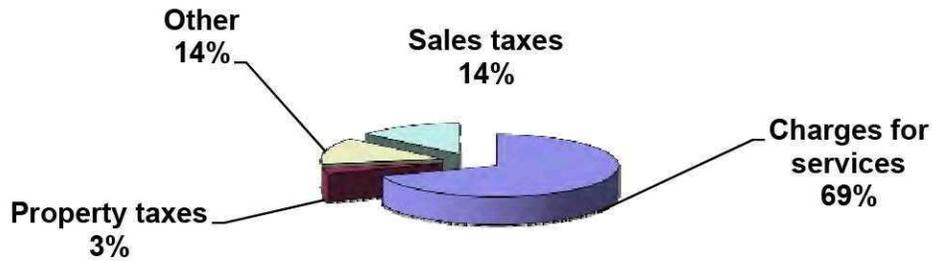


The graph above shows the City's seven primary governmental activities in 2012, as well as long-term debt interest, compared to program-generated revenues covering those expenses. General revenues, such as taxes, cover the remaining costs.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

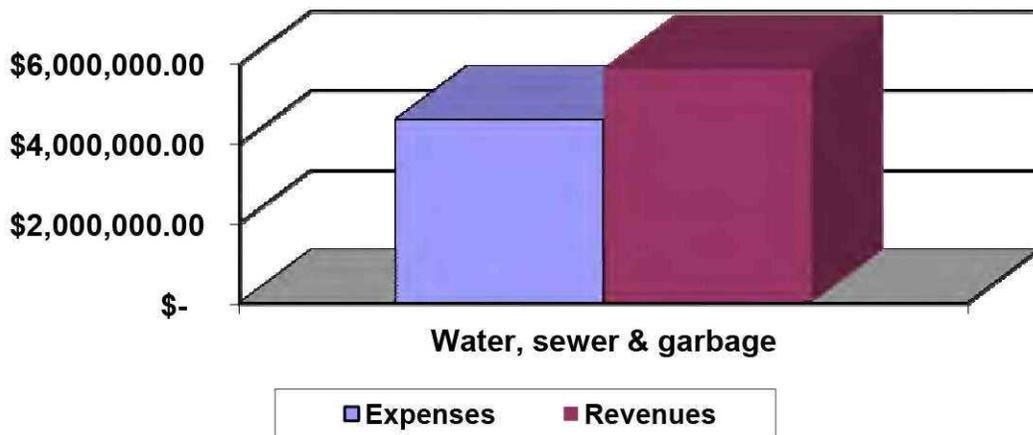
The following graph indicates business-type activities revenues by source:

Revenues by Source - Business-type Activities



Revenues for the City's business-type activities for the year ended December 31, 2012 were \$5,894,568. User fees are by far the largest source of revenue (69%) for the City's utility system and garbage collections. Sales tax revenue (14%) 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 \$2,005,436 from the business-type activities to subsidize the governmental activities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended December 31, 2012, the City reported combined fund balances in *governmental funds* of approximately \$1.85 million, a decrease of \$.07 million from 2011. The General Fund reported a deficit fund balance of approximately \$1.1 million at December 31, 2012, which is virtually unchanged from prior year. The General Fund is the city's primary operating fund, and therefore, the deficit fund balance signifies operating cash shortages.

The largest fund balance (\$1.63 million) is reported in the Industrial Complex Sales Tax Fund. This fund experienced a \$.29 million increase from 2011 largely due to decrease in construction activities within the industrial park in 2011 ending prior to 2012. The landfill, debt service and other governmental funds report aggregate fund balances of approximately \$1.35 million, a decrease of \$.39 million over 2011. 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 \$724,518. This bottom-line net income for the System included \$849,148 of depreciation expense, and therefore, the utility system's net income before depreciation, a measurement of operations commonly used in the private sector, was \$124,630.

General Fund Budgetary Highlights

During the fiscal year, the 2012 budget was revised to reflect an anticipated decrease in revenues and increase in expenditures. Actual results for 2012 showed revenues and transfers-in falling short of the final budget by \$619,714. Actual expenditures were \$253,634 less than budgeted.

The General Fund ended the year with an operating deficit of \$33,088. The beginning fund balance was in a deficit position of \$1,171,358. The level of gains needed through expenditure cuts and revenue increases in order to erase the deficit financial position has not materialized. Therefore, the City's general fund remains with a deficit fund balance, in the amount of \$1,138,270 as of December 31, 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the City had invested \$46.9 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, 2012, at cost less accumulated depreciation:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,668,993	\$ 1,668,993	\$ -	\$ -	\$ 1,668,993	\$ 1,668,993
Buildings	19,148,930	18,736,330	9,292,152	9,275,055	28,441,082	28,011,385
Equipment	3,766,286	3,743,336	476,759	476,759	4,243,045	4,220,095
Infrastructure	23,045,357	22,444,698	12,696,048	12,683,424	35,741,405	35,128,122
Improvements	-	-	13,349,584	13,310,007	13,349,584	13,310,007
Other	125,171	80,670	4,762,663	3,737,962	4,887,834	3,818,632
	<u>\$ 47,754,737</u>	<u>\$ 46,674,027</u>	<u>\$ 40,577,206</u>	<u>\$ 39,483,207</u>	<u>\$ 88,331,943</u>	<u>\$ 86,157,234</u>

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

ACCUMULATED DEPRECIATION

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Buildings	\$ 8,700,338	\$ 8,226,934	\$ 7,608,318	\$ 7,458,994	\$ 16,308,656	\$ 15,685,928
Equipment	2,856,478	2,452,296	430,463	407,820	3,286,941	2,860,116
Infrastructure	9,360,877	9,317,286	9,114,487	8,889,162	18,475,364	18,206,448
Improvements and Other	-	-	3,329,872	2,878,016	3,329,872	2,878,016
	<u>\$ 20,917,694</u>	<u>\$ 19,996,516</u>	<u>\$ 20,483,140</u>	<u>\$ 19,633,992</u>	<u>\$ 41,400,834</u>	<u>\$ 39,630,508</u>
Capital Assets, net	<u>\$ 26,837,043</u>	<u>\$ 26,677,511</u>	<u>\$ 20,094,066</u>	<u>\$ 19,849,215</u>	<u>\$ 46,931,109</u>	<u>\$ 46,526,726</u>

In *governmental activities* the City reported a \$159,532 increase in net capital assets over 2011. The increase is largely due to the construction of buildings within the Industrial Park Complex, various infrastructure improvements, and purchases of equipment.

Long-Term Debt

At the end of the year 2012, the City had \$11,771,928 in outstanding notes and bonds payable, pension obligations, claims payable, and compensated absences 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 \$8,936,590 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 \$963,494 (decrease of \$44,216 in governmental activities and increase of \$1,007,710 in business-type activities) bringing the total pension obligation to \$9,378,353.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

National, state, and local communities are still in recession. However, the outlook for 2013 does predict improvements from the current economic situations.

The budget for 2013 was prepared using reasonable estimates regarding revenues and anticipated expenditure controls. Sales taxes are expected to increase due to the expansion of a major retail establishment located within the City and because of anticipated general economic improvement. Expenditures are expected to remain relatively consistent.

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 Jerry Bailey 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 3,554,722	\$ 109,521	\$ 3,664,243
Property taxes receivable	683,438	39,167	722,605
Accounts receivable (net)	1,498,679	639,328	2,138,007
Prepaid expenses	556	-	556
Inventory	13,589	-	13,589
Restricted assets:			
Cash and cash equivalents	87,864	447,522	535,386
Investment in joint venture - Choctaw Landfill	979,150	-	979,150
Capital assets:			
Land and construction in progress	1,794,164	-	1,794,164
Depreciable capital assets, net	25,042,879	20,094,066	45,136,945
TOTAL ASSETS	33,655,041	21,329,604	54,984,645
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
	-	-	-
<u>LIABILITIES:</u>			
Accounts payable	2,113,786	\$ 165,313	\$ 2,279,099
Accrued expenses	93,712	67,034	160,746
Other payables	658,457	-	658,457
Certificates of indebtedness	1,500,000	-	1,500,000
Internal balances	29,717	(29,717)	-
Net post employment benefit liability	32,510	-	32,510
Long-term liabilities:			
Due within one year	498,082	555,000	1,053,082
Due beyond one year	11,273,846	8,381,590	19,655,436
TOTAL LIABILITIES	16,200,110	9,139,220	25,339,330
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Resources received prior to time requirement	61,537	-	61,537
<u>NET POSITION:</u>			
Net investment in capital assets	23,256,073	13,705,068	36,961,141
Restricted for:			
Debt service	1,283,102	447,522	1,730,624
Maintenance	7,177	-	7,177
Special programs	1,678,050	-	1,678,050
Retirement	10,611	-	10,611
Other	1,049,703	-	1,049,703
Unrestricted	(9,891,322)	(1,962,206)	(11,853,528)
TOTAL NET POSITION	\$ 17,393,394	\$ 12,190,384	\$ 29,583,778

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Primary Government						
Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total	
	Fees, Fines, and Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities		
Function/Programs						
Primary Government						
Governmental:						
General government	\$ 5,493,973	\$ 455,800	\$ 226,136	\$ (4,812,037)	\$ -	\$ (4,812,037)
Public safety	4,813,347	121,571	626,088	(4,065,688)	-	(4,065,688)
Public works	1,843,852	-	4,349	(1,839,503)	-	(1,839,503)
Landfill	273,463	-	-	(273,463)	-	(273,463)
Culture and recreation	194,845	-	-	(194,845)	-	(194,845)
Economic development	374,148	142,406	-	(231,742)	-	(231,742)
Airport	535,793	-	853,025	317,232	-	317,232
Interest expense	138,012	-	-	(138,012)	-	(138,012)
Total governmental activities	<u>13,667,433</u>	<u>719,777</u>	<u>1,709,598</u>	<u>(11,238,058)</u>	<u>-</u>	<u>(11,238,058)</u>
Business-type:						
Enterprise - Utilities	4,613,650	4,089,714	620,194	-	96,258	96,258
Total business-type activities	<u>4,613,650</u>	<u>4,089,714</u>	<u>620,194</u>	<u>-</u>	<u>96,258</u>	<u>96,258</u>
Total primary government	<u>\$ 18,281,083</u>	<u>\$ 4,809,491</u>	<u>\$ 2,329,792</u>	<u>\$ (11,238,058)</u>	<u>\$ 96,258</u>	<u>\$ (11,141,800)</u>
General revenues:						
Property taxes				3,076,875	178,444	3,255,319
Sales taxes				5,957,674	813,214	6,770,888
Other taxes				30,790	-	30,790
Franchise fees				284,340	-	284,340
Interest income				5,223	36,859	42,082
Other				412,457	156,143	568,600
Transfers (net)				2,005,436	(2,005,436)	-
Total general revenues				<u>11,772,795</u>	<u>(820,776)</u>	<u>10,952,019</u>
Change in net position				534,737	(724,518)	(189,781)
Net position, December 31, 2011				<u>16,858,657</u>	<u>12,914,902</u>	<u>29,773,559</u>
Net position, December 31, 2012				<u>\$ 17,393,394</u>	<u>\$ 12,190,384</u>	<u>\$ 29,583,778</u>

The accompanying notes are an integral part of this statement

FUND FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>Special Revenue Funds</u>			<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Industrial Complex Sales Tax</u>	<u>Landfill Fund</u>	<u>Fund General Obligation Bond Sinking Fund #1</u>		
ASSETS						
Cash and cash equivalents	\$ 927,206	\$ 1,554,506	\$ 198,280	\$ 269,003	\$ 605,727	\$ 3,554,722
Cash and cash equivalents - restricted	87,864	-	-	-	-	87,864
Investments in joint venture	-	-	665,880	-	-	665,880
Property taxes receivable	439,650	-	72,264	71,540	99,984	683,438
Accounts receivable	747,205	45,764	-	-	649,594	1,442,563
FEMA receivable	56,116	-	-	-	-	56,116
Due from other funds	1,019,876	164,122	-	540,000	650,107	2,374,105
Prepaid expenses	556	-	-	-	-	556
Inventory of supplies	13,589	-	-	-	-	13,589
TOTAL ASSETS	<u>3,292,062</u>	<u>1,764,392</u>	<u>936,424</u>	<u>880,543</u>	<u>2,005,412</u>	<u>8,878,833</u>
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,292,062</u>	<u>\$ 1,764,392</u>	<u>\$ 936,424</u>	<u>\$ 880,543</u>	<u>\$ 2,005,412</u>	<u>\$ 8,878,833</u>
LIABILITIES						
Accounts payable	\$ 1,567,734	\$ 3,718	\$ -	\$ -	\$ 542,334	\$ 2,113,786
Accrued expenses	71,797	-	-	-	-	71,797
Certificates of indebtedness	1,500,000	-	-	-	-	1,500,000
Due to other funds	1,085,437	130,415	-	-	1,187,970	2,403,822
Due to other governments	-	-	658,457	-	-	658,457
TOTAL LIABILITIES	<u>4,224,968</u>	<u>134,133</u>	<u>658,457</u>	<u>-</u>	<u>1,730,304</u>	<u>6,747,862</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	205,364	-	23,641	23,405	31,918	284,328
FUND BALANCES						
Non-spendable:						
Prepaid expenses and other	556	-	665,880	-	-	666,436
Inventory of supplies	13,589	-	-	-	-	13,589
Restricted for:						
Debt service	-	-	-	857,138	411,430	1,268,568
Maintenance	-	-	-	-	7,177	7,177
Special programs	35,369	1,630,259	-	-	12,422	1,678,050
Retirement	10,611	-	-	-	-	10,611
Committed:						
Park	3,150	-	-	-	-	3,150
Police forfeitures	8,064	-	-	-	-	8,064
Assigned:						
Sitel	10,271	-	-	-	-	10,271
Unassigned	<u>(1,219,880)</u>	<u>-</u>	<u>(411,554)</u>	<u>-</u>	<u>(187,839)</u>	<u>(1,819,273)</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(1,138,270)</u>	<u>1,630,259</u>	<u>254,326</u>	<u>857,138</u>	<u>243,190</u>	<u>1,846,643</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 3,292,062</u>	<u>\$ 1,764,392</u>	<u>\$ 936,424</u>	<u>\$ 880,543</u>	<u>\$ 2,005,412</u>	<u>\$ 8,878,833</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, 2012

Fund balances December 31, 2012 - governmental funds	\$	1,846,643
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, 2012	\$ 47,754,737	
Less: accumulated depreciation as of December 31, 2012	<u>(20,917,694)</u>	26,837,043
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:		
		222,791
Equity interest in landfill joint venture not reported at fund level		313,270
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		(3,505,000)
Accrued interest payable		(21,915)
Notes payable		(75,970)
Net pension obligation payable		(6,892,152)
Compensated absences		(786,808)
Net OPEB benefits		(32,510)
Claims and judgements payable		<u>(511,998)</u>
Total net position at December 31, 2012 - governmental activities	\$	<u>17,393,394</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, 2012

	Special Revenue Funds			Debt Service Fund General	Other Governmental Funds	Total Governmental Funds
	General	Industrial Complex Sales Tax	Landfill Fund	Obligation Bond Sinking Fund #1		
Revenues:						
Ad valorem taxes	\$ 1,970,427	\$ -	\$ 320,262	\$ 317,103	\$ 433,513	\$ 3,041,305
Sales taxes	2,950,003	508,064	-	-	2,499,607	5,957,674
Other taxes	30,790	-	-	-	-	30,790
Licenses and permits	420,401	-	-	-	-	420,401
Franchise fees	284,340	-	-	-	-	284,340
Intergovernmental	722,948	-	-	-	872,138	1,595,086
FEMA reimbursement	114,512	-	-	-	-	114,512
Charges for services	35,399	-	-	-	-	35,399
Fines	121,571	-	-	-	-	121,571
Interest	3,088	1,479	34	47	575	5,223
Rent	-	-	-	-	142,406	142,406
Miscellaneous	387,004	16,218	-	-	54,458	457,680
Total revenues	<u>7,040,483</u>	<u>525,761</u>	<u>320,296</u>	<u>317,150</u>	<u>4,002,697</u>	<u>12,206,387</u>
Expenditures:						
Current -						
General government	3,876,871	-	-	-	-	3,876,871
Public safety	3,972,191	-	-	-	807,270	4,779,461
Public works	1,494,865	-	-	-	700,094	2,194,959
Landfill	-	-	249,388	-	-	249,388
Culture and recreation	46,562	-	-	-	561,753	608,315
Economic development	-	212,098	-	-	162,698	374,796
Airport	184,844	-	-	-	-	184,844
Hurricane relief and restoration	96,289	-	-	-	-	96,289
Capital outlay	60	-	-	-	1,113,990	1,114,050
Intergovernmental	153,382	-	-	-	-	153,382
Debt Service -						
Capital lease payments	18,004	-	-	-	-	18,004
Bond principal	-	-	-	2,515,000	154,202	2,669,202
Bond interest	-	-	-	91,343	66,070	157,413
Total expenditures	<u>9,843,068</u>	<u>212,098</u>	<u>249,388</u>	<u>2,606,343</u>	<u>3,566,077</u>	<u>16,476,974</u>
Excess (deficiency) of revenues over expenditures	(2,802,585)	313,663	70,908	(2,289,193)	436,620	(4,270,587)
Other financing sources (uses):						
Proceeds from issuance of long-term debt (net of costs)	-	-	-	2,200,000	-	2,200,000
Transfers to other funds	(198,163)	(25,000)	-	-	(1,067,582)	(1,290,745)
Transfers from other funds	3,033,836	-	-	-	262,345	3,296,181
Total other financing sources (uses)	<u>2,835,673</u>	<u>(25,000)</u>	<u>-</u>	<u>2,200,000</u>	<u>(805,237)</u>	<u>4,205,436</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	33,088	288,663	70,908	(89,193)	(368,617)	(65,151)
Fund balance (deficit), beginning	<u>(1,171,358)</u>	<u>1,341,596</u>	<u>183,418</u>	<u>946,331</u>	<u>611,807</u>	<u>1,911,794</u>
Fund balance (deficit), ending	<u>\$ (1,138,270)</u>	<u>\$ 1,630,259</u>	<u>\$ 254,326</u>	<u>\$ 857,138</u>	<u>\$ 243,190</u>	<u>\$ 1,846,643</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, 2012

Net change in fund balances - governmental funds \$ (65,151)

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	\$ 1,436,921	
Depreciation expense	<u>(1,277,388)</u>	159,533

Change in deferral of revenues due to collection beyond 60 days 35,570

Change in equity interest in landfill joint venture (24,075)

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		2,687,206
Issuance of bonds payable		(2,200,000)
Cost of issuance		(45,216)

Other changes in long-term obligations:

Accrued interest payable	19,589	
Net pension obligation payable	44,216	
Compensated absences	24,073	
Net OPEB benefits	(37,619)	
Claims and judgements payable	<u>(63,389)</u>	<u>(13,130)</u>

Change in net position of governmental activities \$ 534,737

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
ENTERPRISE (UTILITIES) FUND
DECEMBER 31, 2012

ASSETS

Current assets

Cash and cash equivalents	\$	109,521
Property taxes receivable		39,167
Accounts receivable (net)		639,328
Due from other funds		173,260
Total current assets		961,276

Restricted assets

Cash and cash equivalents		447,522
Total restricted assets		447,522

Capital assets

Capital assets, cost		40,577,206
Less: accumulated depreciation		(20,483,140)
Total capital assets		20,094,066

TOTAL ASSETS		21,502,864
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DEFERRED OUTFLOWS OF RESOURCES

-

LIABILITIES

Current liabilities:

Accounts payable		165,313
Accrued interest expense		54,041
Accrued salaries		12,993
Due to other funds		143,543
Long-term debt, current		555,000
Total current liabilities		930,890

Long-term liabilities:

Compensated absences		61,391
Net pension obligation		2,486,201
Bonds payable		5,833,998
Total long-term liabilities		8,381,590

TOTAL LIABILITIES		9,312,480
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DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

Net investment in capital assets		13,705,068
Restricted for debt service		447,522
Unrestricted		(1,962,206)
TOTAL NET POSITION	\$	12,190,384

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, 2012

OPERATING REVENUES:

Charges for service -	
Water, sewer and garbage fees	\$ 4,089,714
Miscellaneous service revenues	156,143
Total operating revenues	<u>4,245,857</u>

OPERATING EXPENSES:

Salaries and wages	624,830
Employee benefits	136,784
Utilities	287,274
Contractual services	584,767
Supplies and materials	437,458
Repairs	186,073
Gas and oil	34,048
Pension contributions	1,071,034
Bad debt expense	94,300
Depreciation	849,148
Insurance and other	52,511
Total operating expenses	<u>4,358,227</u>

INCOME FROM OPERATIONS (112,370)

NON-OPERATING REVENUES (EXPENSES):

Advalorem taxes	178,444
Sales taxes	813,214
Intergovernmental	620,194
Interest income	36,859
Interest expense	(255,423)
Total nonoperating revenues (expenses)	<u>1,393,288</u>

Net income before transfers 1,280,918

Transfers to other funds	(2,055,436)
Transfers from other funds	50,000

CHANGE IN NET POSITION (724,518)

NET POSITION:

Balance, beginning of year	<u>12,914,902</u>
Balance, end of year	<u>\$ 12,190,384</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, 2012

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 4,124,652
Cash paid to suppliers	(1,900,889)
Cash paid to employees	(823,062)
Net cash provided by operating activities	1,400,701

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Advalorem taxes	178,444
Sales taxes	813,214
Due to other funds (net change in)	(39,879)
Transfers from other funds	50,000
Transfers to other funds	(2,055,436)
Net cash used in non-capital financing activities	(1,053,657)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Proceeds from issuance of long term deb	3,235,134
Intergovernmental grants (capital)	620,194
Principal payments on debt	(3,530,000)
Interest paid on debt	(255,423)
Acquisition of capital assets	(1,093,999)
Net cash used in capital financing activities	(1,024,094)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	36,859
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Net decrease in cash and cash equivalents	(640,191)
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Cash and cash equivalents at beginning of year	1,197,234
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Cash and cash equivalents at end of year	\$ 557,043
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Reconciliation to the Statement of Net Position

Cash and cash equivalents - current	\$ 109,521
Cash and cash equivalents - restricted	447,522
	\$ 557,043

(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, 2012

Page 2 of 2

Reconciliation of net income to net cash provided by operating activities

Income from operations:	\$	(112,370)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		849,148
Bad debt expense		94,300
Change in assets and liabilities:		
Receivables, net		(121,205)
Accounts payable		(296,386)
Other payables		(9,993)
Compensated absences		(12,378)
Accrued salaries		1,875
Net pension obligation		1,007,710
Net cash provided by operating activities:	<u>\$</u>	<u>1,400,701</u>

The accompanying notes are an integral part of these statements

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF PLAN NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
JUNE 30, 2012

ASSETS

Cash and cash equivalents		\$ 98,140
Receivables:		
Member contributions	10,218	
Employer contributions	218,551	
Accrued interest	21,785	
		250,554
Investments at fair market value:		
Fixed income assets	2,472,735	
Value equity assets	1,299,250	
Growth equity assets	1,275,141	
Total investments		5,047,126
TOTAL ASSETS		5,395,820

LIABILITIES

495

NET POSITION OF PENSION PLAN ASSETS

\$ 5,395,325

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, 2012

ADDITIONS

Contributions:	
Members	\$ 86,568
Employer	390,564
Total contributions	<u>477,132</u>
Investment income:	
Net appreciation in fair value of investments	(44,965)
Interest and dividends	151,201
	<u>106,236</u>
Less: investment fee expense	<u>(31,414)</u>
Net investment income	<u>74,822</u>
Total additions	<u>551,954</u>

DEDUCTIONS

Benefits	934,284
DROP withdrawals	52,644
Refunds of contributions	64,139
Administrative expenses	164
Other	229
Total deductions	<u>1,051,460</u>

DECREASE IN NET POSITION (499,506)

NET POSITION OF PENSION PLAN ASSETS:

Beginning of the year	<u>5,894,831</u>
End of the year	<u><u>\$ 5,395,325</u></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, 2012

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. 14 (as amended by GASB 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, 2012

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

Mr. Jerry Bailey
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, 2012

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, 2012

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 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, 2012

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, 2012

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 ad valorem taxes.

Fund Type	Purpose	Mills	Expiration Date
General	General purpose	10.84	Indefinite
General	Maintenance, equipment, operations and salaries of municipal employees	3.64	2017
General	Fire department maintenance	2.75	2017
General	Maintenance and operation of municipal services	2.65	2019
General	Retirement for police department, fire department, and general city employees	7.79	2019
General	City of Bogalusa Employees' Retirement System	2.75	2015
Debt Service	Street Improvement Bonds	2.75	Indefinite
Special Revenue	Parks and Recreation Facilities	2.00	2019
Special Revenue	Municipal Buildings	2.00	2019
Special Revenue	Landfill	5.00	2021
Enterprise	Sewer and water works	2.71	2017
Debt Service	Paying bonds and interest	4.95	Indefinite
	Total	49.83	

The following is a summary of authorized sales taxes.

Fund Type	Purpose	Percent	Expiration Date
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	3.33	

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

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

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:

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

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, 2012

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 payable 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, 2012 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, 2012, 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

Beginning with fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories 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, 2012

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. Net Position

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective fiscal year 2012. 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.

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.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

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

L. Net Position (continued)

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.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012 and is effective for fiscal years beginning after December 15, 2012. However, early implementation is permitted, and therefore, the City has chosen to implement this standard effective fiscal year 2012. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, as applied to the governmental fund statements. In addition to identifying which items should be reported in these new categories in proprietary fund, fiduciary fund, government-wide statements of net position and governmental fund balance sheets, GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

M. 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.

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.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (continued)

- 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, 2012, the City had cash (book balances) totaling \$4,199,629 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, 2012, the City's bank balances amounted to \$4,532,619. Of the bank balances, \$630,976 was covered by federal depository insurance and \$3,901,643 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, 2012.

B. City of Bogalusa Retirement System

Cash and Cash Equivalents:

At June 30, 2012, cash and cash equivalents consisted of \$2,352 invested in short-term money market mutual funds and \$95,788 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.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

Concentration of Credit Risk: (continued)

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. Corporate Bonds and US Treasury Notes are the only organizations which represent a greater concentration than 5% of total investments as of June 30, 2012.

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, 2012.

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	Total
A1	\$ 110,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,938
A2	441,744	110,751	-	-	-	-	-	552,495
A3	210,510	-	-	-	-	-	-	210,510
Aa2	103,398	-	-	-	-	-	-	103,398
Aa3	109,076	114,919	-	-	-	-	-	223,995
Aaa	-	-	68,811	438,070	304,158	203,789	154,264	1,169,092
Baa1	102,307	-	-	-	-	-	-	102,307
	<u>\$1,077,973</u>	<u>\$225,670</u>	<u>\$68,811</u>	<u>\$438,070</u>	<u>\$304,158</u>	<u>\$203,789</u>	<u>\$154,264</u>	<u>\$2,472,735</u>

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

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, 2012. 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, 2012, 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, 2012

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk: (continued)

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Corporate Bonds	\$1,077,973	\$307,810	\$550,953	\$219,210	\$ -
Municipal Bonds	225,670	-	-	114,919	110,751
FHLMC	68,811	25,091	43,720	-	-
FNMA	438,070	-	310,624	127,446	-
FHLB	304,158	-	106,220	197,938	-
GNMA	203,789	-	203,789	-	-
US Treasury Notes	154,264	1,000	-	153,264	-
	<u>\$2,472,735</u>	<u>\$333,901</u>	<u>\$1,215,306</u>	<u>\$812,777</u>	<u>\$110,751</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.

Foreign Currency Risk

The System did not have any investments that are exposed to foreign currency risk.

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, 2012 were as follows:

<u>Governmental Activities:</u>	Sales Taxes	Grants	FEMA	Other	Total
General Fund	\$ 265,325	\$ 132,320	\$ 56,116	\$ 349,560	\$ 803,321
Industrial Complex Sales Tax	45,764	-	-	-	45,764
Non-Major Governmental Funds	223,103	417,491	-	9,000	649,594
Total	<u>\$ 534,192</u>	<u>\$ 549,811</u>	<u>\$ 56,116</u>	<u>\$ 358,560</u>	<u>\$1,498,679</u>

<u>Business-type Activities:</u>	Sales Taxes	Customer Utility Accounts	Other	Total
Operating Fund	\$ 94,081	\$ 1,173,160	\$ 59,726	\$ 1,326,967
Allowance for Uncollectible Accounts	-	(687,639)	-	(687,639)
Total	<u>\$ 94,081</u>	<u>\$ 485,521</u>	<u>\$ 59,726</u>	<u>\$ 639,328</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

5. RESTRICTED CASH

At December 31, 2012, 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:

Sewer Capital Additions and Contingencies Fund	\$ 279
Wastewater Improvement Sales Tax Fund	82,243
Sewer Sales Tax Bond Reserve Account	98,510
Water Revenue Bond Reserve Account	146,957
Water Revenue Bond Sinking Account	19,421
Water Revenue Bond Contingency Account	<u>100,112</u>
Total restricted cash	<u>\$ 447,522</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, 2012, 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 create reserve accounts and maintain minimum balances. As of December 31, 2012, the City had not created such accounts and therefore, had not maintained the required minimum balances.

The first three accounts listed above with balances of \$279, \$82,243, and \$98,510, respectively, were restricted under bond covenants of the 1998 Sewer Revenue Bonds, the 1998 Sewer Sales Tax Bonds, and the 1999 Sewer Revenue Bonds, all of which were refunded by the series 2012 refunding bonds. These accounts are no longer restricted by the terms of their respective bond issues, but may be restricted according to ordinances or other legislation regarding the source of the funds.

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	\$ 665,880
Other economic resources (net capital assets less landfill closure and post closure care costs)	<u>313,270</u>
Net investment in joint venture	<u>\$ 979,150</u>

The City recognized no net income in the Governmental Statement of Activities from this joint venture since the joint venture's revenues were equal to expenses for 2012. Included in current financial resources is the City's share of \$658,457 that the City owes to the joint venture, recorded in the landfill fund of which \$315,450 is in arrears.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

7. CAPITAL ASSETS

A. Governmental Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2012:

Cost	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
Land	\$ 1,668,993	\$ -	\$ -	\$ 1,668,993
Construction in progress	80,670	125,171	(80,670)	125,171
	<u>1,749,663</u>	<u>125,171</u>	<u>(80,670)</u>	<u>1,794,164</u>
Depreciated				
Buildings	18,736,330	412,600	-	19,148,930
Infrastructure	22,444,698	822,524	(221,865)	23,045,357
Furniture and equipment	3,743,336	157,295	(134,346)	3,766,285
	<u>44,924,364</u>	<u>1,392,419</u>	<u>(356,211)</u>	<u>45,960,572</u>
Less: accumulated depreciation				
Buildings	(8,226,934)	(473,404)	-	(8,700,338)
Infrastructure	(9,317,286)	(265,456)	221,865	(9,360,877)
Furniture and equipment	(2,452,296)	(538,528)	134,346	(2,856,478)
	<u>(19,996,516)</u>	<u>(1,277,388)</u>	<u>356,211</u>	<u>(20,917,693)</u>
Net capital assets being depreciated	<u>24,927,848</u>	<u>115,032</u>	<u>-</u>	<u>25,042,879</u>
Total capital assets, net	<u>\$ 26,677,511</u>	<u>\$ 240,202</u>	<u>\$ (80,670)</u>	<u>\$ 26,837,043</u>

Depreciation expense for the year ended December 31, 2012 was charged to the following governmental functions:

General government	\$ 487,160
Public safety	101,553
Public works	377,190
Culture and recreation	5,863
Airport	305,622
	<u>\$ 1,277,388</u>

Construction in progress mainly consists of construction for improvements at the Airport. Outstanding contractual commitments related to this were approximately \$14,317.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

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, 2012:

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
<u>Cost</u>				
Water and sewer plant	\$ 9,275,055	\$ 17,097	\$ -	\$ 9,292,152
Sewer treatment plant	2,670,064	12,624	-	2,682,688
Water well	1,686,604	-	-	1,686,604
Collection system	2,744,249	-	-	2,744,249
Sewer pumping system	1,363,701	-	-	1,363,701
Water line	4,218,806	-	-	4,218,806
Equipment and vehicles	476,759	-	-	476,759
Sewer treatment improvements	13,310,007	39,577	-	13,349,584
Water meter	3,737,962	1,024,701	-	4,762,663
	<u>39,483,207</u>	<u>1,093,999</u>	<u>-</u>	<u>40,577,206</u>
<u>Less: accumulated depreciation</u>				
Water and sewer plant	(7,458,993)	(149,325)	-	(7,608,318)
Sewer treatment plant	(2,661,726)	(1,610)	-	(2,663,336)
Water well	(570,656)	(48,641)	-	(619,297)
Collection system	(2,401,217)	(68,606)	-	(2,469,823)
Sewer pumping system	(1,344,749)	(998)	-	(1,345,747)
Water line	(1,910,814)	(105,470)	-	(2,016,284)
Equipment and vehicles	(407,820)	(22,643)	-	(430,463)
Sewer treatment improvements	(2,828,377)	(333,740)	-	(3,162,117)
Water meter	(49,640)	(118,115)	-	(167,755)
Total accumulated depreciation	<u>(19,633,992)</u>	<u>(849,148)</u>	<u>-</u>	<u>(20,483,140)</u>
Total capital assets, net	<u>\$ 19,849,215</u>	<u>\$ 244,851</u>	<u>\$ -</u>	<u>\$ 20,094,066</u>

Outstanding contractual commitments related to additional water meters were approximately \$9,657.

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, 2012.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,019,876	\$ 1,085,437
Industrial Complex Sales Tax Fund	164,122	130,415
General Obligation Bond Sinking Fund	540,000	-
Nonmajor governmental funds	650,107	1,187,970

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

9. INTERFUND BALANCES (continued)

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Proprietary Funds:</u>		
Utility System	173,260	143,543
	<u>\$ 2,547,365</u>	<u>\$ 2,547,365</u>

10. INTERFUND TRANSFERS

Transfers between funds occur to provide reimbursement of certain operating costs and are not expected to be repaid. Transfers between funds during 2012 occurred as follows:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,033,836	\$ 198,163
Industrial Complex Fund	-	25,000
Nonmajor governmental funds	262,345	1,067,582
<u>Proprietary Funds:</u>		
Utility System	50,000	2,055,436
	<u>\$ 3,346,181</u>	<u>\$ 3,346,181</u>

11. 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 \$179,736, and the firemen received \$197,150 in 2012. The total payments of \$376,886 have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

12. 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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Funds Borrowed</u>	<u>Repayments</u>	<u>Ending Balance</u>
Certificates of Indebtedness	<u>\$ 1,990,000</u>	<u>\$ 1,500,000</u>	<u>\$(1,990,000)</u>	<u>\$1,500,000</u>

The borrowings for 2012 were advanced to the City through a series of certificates of indebtedness bearing interest at prime minus 2.25%.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

13. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

a. Activities

Long-term liability activity of governmental activities for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds Payable	\$ 3,875,000	\$2,200,000	\$ (2,570,000)	\$ 3,505,000	\$ 445,000
Notes Payable:					
Capital One-Excavator	3,552	-	(3,552)	-	-
Capital One-Fire Trucks	126,541	-	(50,571)	75,970	53,082
Capital One-Police Cars	17,867	-	(17,867)	-	-
Net Pension Obligation	6,936,368	306,430	(350,646)	6,892,152	-
Compensated Absences	810,881	-	(24,073)	786,808	-
Claims and Judgments	448,609	188,389	(125,000)	511,998	-
	<u>\$ 12,218,818</u>	<u>\$ 2,694,819</u>	<u>\$ (3,141,709)</u>	<u>\$ 11,771,928</u>	<u>\$ 498,082</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, 2012, the City had maintained the required minimum balance.

Bonds Payable were as follows at December 31, 2012:

	Date of Issuance	Original Balance	Ending Balance
General Obligation Refunding Bonds, Series 2012, 2.25 – 2.5%	10/4/2012	2,200,000	2,200,000
General Obligation 2007, 4.125 – 6.0%	10/1/2007	1,750,000	1,305,000
		<u>\$ 3,950,000</u>	<u>\$ 3,505,000</u>

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 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 completely paid out in 2012.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

13. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS (continued)

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			Total
	Principal	Interest	Total	Principal	Interest	Total	
2013	\$ 445,000	\$ 103,215	\$ 548,215	\$ 53,082	\$ 2,516	\$ 55,598	\$ 603,813
2014	470,000	90,810	560,810	22,888	279	23,167	583,977
2015	480,000	77,999	557,999	-	-	-	557,999
2016	490,000	64,593	554,593	-	-	-	554,593
2017-2021	1,465,000	136,416	1,601,416	-	-	-	1,601,416
2022	155,000	3,565	158,565	-	-	-	158,565
	<u>\$3,505,000</u>	<u>\$ 476,598</u>	<u>\$3,981,598</u>	<u>\$ 75,970</u>	<u>\$ 2,795</u>	<u>\$ 78,765</u>	<u>\$4,060,363</u>

14. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS

a. Activity

Long-term debt activity of business-type activities for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds Payable	\$ 6,683,864	\$ 3,235,134	\$(3,530,000)	\$ 6,388,998	\$ 555,000
Net Pension Obligation	1,478,491	1,134,198	(126,488)	2,486,201	-
Compensated Absences	73,769	-	(12,378)	61,391	-
	<u>\$ 8,236,124</u>	<u>\$ 4,369,332</u>	<u>\$(3,668,866)</u>	<u>\$ 8,936,590</u>	<u>\$ 555,000</u>

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 are to be 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 advances of 2009A bond funds of \$1,130,268 during 2012. Of these amounts, \$565,134 has been forgiven.

The City is required to create reserve accounts and maintain minimum balances. As of December 31, 2012, the City had not maintained the required minimum balance for the sinking fund account.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

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

c. **Bonds Payable** (continued)

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 create reserve accounts and maintain minimum balances as part of the terms of the refunding bonds. As of December 31, 2012, the City had not created such accounts and therefore, had not maintained the required minimum balances.

Bonds outstanding were as follows at December 31, 2012:

	Date of Issue	Original/Notional Balance	Ending Balance
Water Revenue Bonds, Series 2009A, 2.95%	Various	\$ 1,000,000	\$ 957,998
Water Revenue Bonds, Series 2009B, 2.95%	Various	3,000,000	2,761,000
Revenue Refunding Bonds, Series 2012, 2.25 – 2.5%	7/31/2012	2,670,000	2,670,000
		<u>\$ 6,670,000</u>	<u>\$ 6,388,998</u>

d. **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:

Year	Principal	Interest	Total
2013	\$ 555,000	\$ 178,197	\$ 733,197
2014	544,000	154,237	698,237
2015	559,000	140,701	699,701
2016	574,000	126,793	700,793
2017-2021	2,082,000	432,713	2,514,713
2022-2026	1,078,000	243,965	1,321,965
2027-2031	996,998	71,759	1,068,757
	<u>\$ 6,388,998</u>	<u>\$ 1,348,365</u>	<u>\$ 7,737,363</u>

15. 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, 2012 tax rolls	<u>\$ 65,351,120</u>
Debt limit: 35% of assessed valuation	<u>\$ 22,872,892</u>
General obligation bonds outstanding at December 31, 2012, secured by ad-valorem tax	<u>\$ 3,505,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

16. PENSION PLANS

a. City of Bogalusa Employees' Retirement System

Plan Description: City of Bogalusa Employees' Retirement System (COBERS) is a single-employer defined benefit pension plan that covers appointive officers and permanent employees of the City except police and fire departments. COBERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

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.

The membership of the plan at June 30, 2012 is as follows:

<i>Retirees & beneficiaries receiving benefits</i>	67
<i>Terminated plan members entitled to but not yet receiving benefits</i>	1
Active plan members	<u>76</u>
Total	<u>144</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 of June 30, 2012, the City contributed \$222,264 in employer contributions or 11% of covered payroll. Additionally, the City contributed \$168,300 for the year ended June 30, 2012 which represents the collections of the 2.75 mills property tax from 2011 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.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

16. PENSION PLANS (continued)

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

The City's annual pension cost and net pension obligation to the COBERS for the year ended June 30, 2012 were as follows:

Annual required contribution	\$	5,201,297
Interest on net pension obligation		589,040
Adjustment to annual required contribution		(4,349,711)
Annual pension cost		1,440,626
Contributions made (cash basis)		(477,132)
Increase in net pension obligation		963,494
Net pension obligation beginning of year		8,414,859
Net pension obligation end of year	\$	9,378,353
<u>Recorded in the Statement of Net Position:</u>		
Governmental activities		6,892,152
Business-type activities		2,486,201
Total	\$	9,378,353

The annual required contribution for the current year was determined as part of the June 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 6.50% investment rate of return and (b) projected payroll increases of 4.5% per year of employment. The actuarial value of assets was determined at market value. The unfunded actuarial accrued liability is being amortized as a level percentage of annual compensation. The remaining amortization period at June 30, 2012 was 1 year.

Funding status and funding progress: As of June 30, 2012, the most recent actuarial valuation date, the plan was 36.81% funded. The actuarial accrued liability for benefits was \$17,422,334 with valued assets of \$4,687,302, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,735,032. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actuarial results are compared with past expectations and new estimates are made about the future.

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 7.50 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 the 2012 was 26.5 percent of covered payroll for the first six months and 31 percent for the second six months. 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, 2012

16. 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, 2012, 2011, and 2010 totaled \$386,940, \$319,964, and \$222,119, 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 8% 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 2012 was 21.5 percent of covered payroll for the first six months and 24 percent for the second six months. 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, 2012, 2011, and 2010 totaled \$331,296, \$267,330, and \$238,301, respectively.

17. 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, 2012, 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 by 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.

A liability of approximately \$45,000 is recorded in the accompanying financial statements for claims or other matters related to such exposure.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

17. RISK MANAGEMENT (continued)

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, 2012 in the amount of \$466,998.

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 \$890,000 at December 31, 2012. These amounts owed are included in accounts payable of the General Fund.

18. 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>
General government	\$ 226,136	\$ -	\$ 226,136
Public safety	626,088	-	626,088
Public works	-	4,349	4,349
Airport	-	853,025	853,025
Utilities	-	620,194	620,194
	<u>\$ 852,224</u>	<u>\$ 1,477,568</u>	<u>\$ 2,329,792</u>

19. 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, 2012 was \$142,406. The following is a schedule of future minimum lease commitments:

<u>Year</u>	<u>Amount</u>
2013	119,902
2014	113,902
2015	47,902
2016	29,902
	<u>\$ 311,608</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

20. COMPENSATION PAID TO CITY COUNCIL AND MAYOR

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Charles Mizell	Mayor	\$ 47,349
Wendy O'Quin-Perrette	City Council – At Large	7,250
Doug (Frank) Ritchie	City Council – At Large	5,400
Penny Williams	City Council – District A	7,200
Michael Oree	City Council – District B	6,769
Oneita Graham	City Council – District C	7,200
Theodore (Judson) Drummond	City Council – District D	7,750
Randy Hodges	City Council – District E	7,200
		<u>\$ 96,118</u>

21. OPERATING ENVIRONMENT AND DEFICIENCIES

Deficit fund balances exist in the following funds:

General Fund	\$ 1,138,270
Landfill Fund (unassigned only)	411,554
Youth Recreation and Parks Fund	187,839

The General Fund's condition is the result of current liabilities exceeding currently available resources to satisfy those liabilities and signifies financial difficulties for the City. General Fund expenditures in excess of revenues for 2007, 2008, 2010, and 2011 have led to the current situation. 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. 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. 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 fall to the general fund.

22. APPROPRIATIONS IN EXCESS OF BUDGET

	<u>Appropriations</u>	<u>Actual</u>
General Fund:		
Public safety	\$ 3,941,480	\$ 3,972,191
Public works	1,421,380	1,494,865
Culture and recreation	8,000	46,562
Airport	166,490	184,844
Hurricane relief and restoration	-	96,289
Capital outlay	-	60

23. 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.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

23. OTHER POST EMPLOYMENT BENEFITS (continued)

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. Complete plan provisions are included in the official plan documents.

Retirees that elect to participate in the plan pay 100% of their plan premiums. Life insurance coverage is available to retirees and the blended rate (active and retired) is \$0.65 per \$1,000 of insurance. The employer pays 100% of the "cost" of the retiree health and life insurance, but it is based on the blended rate and there is therefore an additional implied employer subsidy. Since GASB Statement No. 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above 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.

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 benefits (City of Bogalusa's portion of the retiree medical and life 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 2012 and 2011, the City of Bogalusa's portion of health care and life insurance funding cost for retired employees totaled \$35,534 and \$83,066, 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

City of Bogalusa's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Statements No. 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2012	2011
Normal Cost	\$ 24,679	\$ 22,176
30-year UAL amortization amount	48,383	59,876
Annual required contribution (ARC)	\$ 73,062	\$ 82,052

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

23. OTHER POST EMPLOYMENT BENEFITS (continued)

Post-employment Benefit Obligation (Asset)

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

	2012	2011
Annual required contribution	\$ 73,062	\$ 82,052
Interest on Net OPEB Obligation (Asset)	(204)	(167)
ARC Adjustment	295	242
OPEB Cost	73,153	82,127
Contribution	-	-
Current year retiree premium paid	(35,534)	(83,066)
Change in Net OPEB Obligation (Asset)	37,619	(939)
Beginning Net OPEB Obligation (Asset)	(5,109)	(4,170)
Ending Net OPEB Obligation (Asset)	\$ 32,510	\$ (5,109)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
December 31, 2012	\$ 73,153	48.57%	\$ 32,510
December 31, 2011	\$ 82,127	101.14%	\$ (5,109)

Funded Status and Funding Progress

In the fiscal years ending December 31, 2012 and 2011, the City of Bogalusa made no contributions to its post employment benefits plan. The plan was not funded at all, 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, 2012 was \$870,136 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

	2012	2011
Actuarial Accrued Liability (AAL)	\$ 870,136	\$ 1,040,830
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accr. Liability (UAAL)	870,136	1,040,830
Funded Ratio (Act. Val. Assets/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 5,728,798	\$ 5,901,671
UAAL as a percentage of covered payroll	15.19%	17.64%

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

23. OTHER POST EMPLOYMENT BENEFITS (continued)

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 City of Bogalusa and its employee plan members) at the time of the valuation and on the pattern of sharing costs between 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 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.

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

Since the City has not segregated funds into an irrevocable trust for the payment of benefits, there are no plan assets and thus the plan is not “funded”. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement No. 45 will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

Age	Percent Turnover
18 - 25	20.0%
26 - 40	14.0%
41 - 54	9.0%
55+	6.0%

In addition, based on past experience it was assumed that 50% of retirees decline medical coverage upon retirement because of the required retiree contribution.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

23. OTHER POST EMPLOYMENT BENEFITS (continued)

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. Medical benefits are provided 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.

Investment Return Assumption (Discount Rate)

GASB Statement No. 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. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

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 rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB Statement No. 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above 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.

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 Statement No. 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 Investment Return Assumption and Healthcare Cost Trend rates above is an implicit inflation assumption of 2.5% annually.

Projected Salary Increases

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2012

23. OTHER POST EMPLOYMENT BENEFITS (continued)

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.

24. SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through the date that the financial statements were available to be issued, June 15, 2013, and determined that there were no subsequent events requiring disclosure except for the matters disclosed in the following paragraphs.

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, 2014. As of the date of issuance of these financial statements, \$1,500,000 had been advanced to the City.

Subsequent to year-end, the City became aware of the preliminary results of a “close-out” audit for several projects or grants funded under the FEMA Public Assistance Program related to recent disasters, primarily Hurricane Katrina. The preliminary results of the audit indicated that \$994,550 was owed to the Governor’s Office of Homeland Security because of disallowed costs. The City plans to contest the audit results and the ultimate resolution of this matter is unknown at this time. As mentioned in footnote 18, 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.

Required Supplemental
Information

**City of Bogalusa Employees' Retirement System
Required Supplemental Information
June 30, 2012
(Unaudited)**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2003	\$ 7,465,356	12,931,251	\$ 5,465,895	57.73%	\$ 1,784,551	306.3%
6/30/2004	7,115,828	12,870,231	5,754,403	55.29%	1,788,500	321.7%
6/30/2005	6,484,552	13,433,255	6,948,703	48.27%	1,813,334	383.2%
6/30/2006	6,099,761	14,269,074	8,169,313	42.75%	2,009,730	406.5%
6/30/2007	6,423,215	15,102,365	8,679,150	42.53%	2,388,454	363.4%
6/30/2008	6,262,254	15,332,923	9,070,669	40.84%	2,042,145	444.2%
6/30/2009	5,488,476	16,814,094	11,325,618	32.64%	1,857,219	609.8%
6/30/2010	4,910,810	16,861,930	11,951,120	29.12%	1,598,143	747.8%
6/30/2011	5,171,044	16,221,205	11,050,161	31.88%	1,658,578	666.2%
6/30/2012	4,678,302	17,422,334	12,735,032	36.81%	1,788,670	711.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Funding	Actuarial Annual Required Contributions	Percentage Contributed
6/30/2003	\$ 810,311	40.27%
6/30/2004	871,583	38.19%
6/30/2005	973,570	33.46%
6/30/2006	1,224,795	30.18%
6/30/2007	1,562,720	25.65%
6/30/2008	1,923,122	19.42%
6/30/2009	2,274,370	28.49%
6/30/2010	2,868,852	17.93%
6/30/2011	3,890,961	12.74%
6/30/2012	5,201,297	9.17%

See accompanying independent auditor's report.

City of Bogalusa Employees' Retirement System
Required Supplemental Information
June 30, 2012
(Unaudited)

ASSUMPTIONS AND METHODS RELATED TO ACTUARIAL VALUATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2012
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	One year (Amortization period completed in fiscal year 2012.) (In fiscal year 2013, the amortization period and cost method will be reassessed.)
Asset valuation method	Market values as of June 30, 2012
Actuarial assumptions:	
Investment rate of return	6.5% per year, compounded annually
Projected salary increases	4.5% per year
Cost-of-living adjustments	N/A

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
June 30, 2012
(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)
01/01/2012	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
12/31/2012	\$ 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.

Other Supplemental Information

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 2,040,220	\$ 2,044,080	\$ 1,970,427	\$ (73,653)
Sales taxes	2,741,270	3,071,500	2,950,003	(121,497)
Other taxes	48,000	43,000	30,790	(12,210)
Licenses and permits	433,600	455,400	420,401	(34,999)
Franchise fees	406,340	370,000	284,340	(85,660)
Intergovernmental	560,250	877,740	722,948	(154,792)
FEMA reimbursement	-	-	114,512	114,512
Charges for services	1,000	1,250	35,399	34,149
Fines	130,000	120,000	121,571	1,571
Interest	500	940	3,088	2,148
Miscellaneous	170,700	218,430	387,004	168,574
Total revenues	<u>6,531,880</u>	<u>7,202,340</u>	<u>7,040,483</u>	<u>(161,857)</u>
Expenditures:				
Current -				
General government	3,811,080	4,353,260	3,876,871	476,389
Public safety	3,861,210	3,941,480	3,972,191	(30,711)
Public works	1,578,040	1,446,432	1,494,865	(48,433)
Culture and recreation	10,000	8,000	46,562	(38,562)
Airport	59,850	166,490	184,844	(18,354)
Hurricane relief and restoration	-	-	96,289	(96,289)
Capital outlay	-	-	60	(60)
Intergovernmental	148,030	163,030	153,382	9,648
Capital lease payments	72,040	18,010	18,004	6
Total expenditures	<u>9,540,250</u>	<u>10,096,702</u>	<u>9,843,068</u>	<u>253,634</u>
Deficiency of revenues over expenditures	(3,008,370)	(2,894,362)	(2,802,585)	91,777
Other financing sources (uses):				
Transfers to other funds	(110,470)	(229,940)	(198,163)	31,777
Transfers from other funds	3,645,590	3,523,470	3,033,836	(489,634)
	<u>3,535,120</u>	<u>3,293,530</u>	<u>2,835,673</u>	<u>(457,857)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>526,750</u>	<u>399,168</u>	<u>33,088</u>	<u>(366,080)</u>
Fund balance (deficit), beginning	<u>(526,750)</u>	<u>(1,171,358)</u>	<u>(1,171,358)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ (772,190)</u>	<u>\$ (1,138,270)</u>	<u>\$ (366,080)</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL COMPLEX SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Sales Taxes	\$ 480,770	\$ 538,690	\$ 508,064	\$ (30,626)
Interest	1,970	1,050	1,479	429
Miscellaneous	-	-	16,218	16,218
Total revenues	<u>482,740</u>	<u>539,740</u>	<u>525,761</u>	<u>(13,979)</u>
Expenditures:				
Current -				
Economic Development	182,210	182,210	212,098	(29,888)
Capital outlay	250,000	250,000	-	250,000
Total expenditures	<u>432,210</u>	<u>432,210</u>	<u>212,098</u>	<u>220,112</u>
Excess of revenues over expenditures	50,530	107,530	313,663	206,133
Other financing uses:				
Transfers to other funds	(25,000)	(25,000)	(25,000)	-
	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>25,530</u>	<u>82,530</u>	<u>288,663</u>	<u>206,133</u>
Fund balance, beginning	<u>1,341,596</u>	<u>1,341,596</u>	<u>1,341,596</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,367,126</u>	<u>\$ 1,424,126</u>	<u>\$ 1,630,259</u>	<u>\$ 206,133</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
LANDFILL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Advalorem taxes	\$ 330,000	\$ 335,980	\$ 320,262	\$ (15,718)
Interest	130	130	34	(96)
Total revenues	<u>330,130</u>	<u>336,110</u>	<u>320,296</u>	<u>(15,814)</u>
Expenditures:				
Current -				
Landfill	330,130	519,530	249,388	270,142
Total expenditures	<u>330,130</u>	<u>519,530</u>	<u>249,388</u>	<u>270,142</u>
Excess (deficiency) of revenues over expenditures	-	(183,420)	70,908	254,328
Fund balance, beginning	<u>183,418</u>	<u>183,418</u>	<u>183,418</u>	<u>-</u>
Fund balance, ending	<u>\$ 183,418</u>	<u>\$ (2)</u>	<u>\$ 254,326</u>	<u>\$ 254,328</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:				
Ad valorem taxes	\$ 2,040,220	\$ 2,044,080	\$ 1,970,427	\$ (73,653)
Sales tax	2,741,270	3,071,500	2,950,003	(121,497)
Beer tax	23,000	23,000	21,790	(1,210)
Bogalusa Housing Authority taxes	25,000	20,000	9,000	(11,000)
Total taxes	4,829,490	5,158,580	4,951,220	(207,360)
Licenses and permits:				
Occupational licenses and interest	415,000	440,000	406,078	(33,922)
Alcoholic beverages licenses and permits	10,000	14,000	12,450	(1,550)
Electrical permits	1,000	1,000	1,540	540
Chain Store Licenses	7,500	-	-	-
Miscellaneous Permits	100	400	260	(140)
Burial Permits and other	-	-	73	73
Total licenses and permits	433,600	455,400	420,401	(34,999)
Franchise fees				
LP & L (2%) Electrical	220,000	205,000	168,202	(36,798)
Centerpoint Natural Gas	131,000	110,000	82,308	(27,692)
Charter Cable TV	40,340	30,000	9,925	(20,075)
AT&T	15,000	25,000	23,905	(1,095)
Total franchise fees	406,340	370,000	284,340	(85,660)
Intergovernmental:				
State Supplemental Pay	422,860	388,610	376,886	(11,724)
LACLE Receipts	-	6,580	9,966	3,386
Combination Investigation	10,000	10,000	-	(10,000)
City Hall State Grant	-	200,000	-	(200,000)
LA Airport Grant	-	38,820	38,819	(1)
Fire Department Grants	100,000	171,250	164,153	(7,097)
Homeland Security Grant	17,890	7,450	-	(7,450)
Department of Justice	-	790	17,406	16,616
Criminal Patrol Grant	4,500	4,500	-	(4,500)
FEMA	-	-	40,753	40,753
Cassidy Park State Grant	-	-	26,131	26,131
LA Gov Assistance Program	-	39,740	39,740	-
Louisiana Safety Commission Grant	5,000	5,000	4,094	(906)
LA Department of Revenue - ATC Reimbursement	-	5,000	5,000	-
Total intergovernmental	\$ 560,250	\$ 877,740	\$ 722,948	\$ (154,792)

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
FEMA reimbursement				
FEMA payments-Katrina	\$ -	\$ -	25,773	\$ 25,773
FEMA payments-Isaac	-	-	88,739	88,739
Total FEMA reimbursement	<u>-</u>	<u>-</u>	<u>114,512</u>	<u>114,512</u>
Charges for services:				
Zoning change charges	1,000	1,250	775	(475)
Certified letters	-	-	169	169
Wreck and fire reports	-	-	7,301	7,301
Pound fees	-	-	1,050	1,050
Witness fees	-	-	14,620	14,620
Recording deeds	-	-	(10,449)	(10,449)
Research fees	-	-	363	363
Bonding fees	-	-	18,515	18,515
Fingerprint fees	-	-	2,295	2,295
Miscellaneous	-	-	760	760
Total charges for services	<u>1,000</u>	<u>1,250</u>	<u>35,399</u>	<u>34,149</u>
Fines and Penalties				
Court Fines	130,000	120,000	121,571	1,571
Total fines	<u>130,000</u>	<u>120,000</u>	<u>121,571</u>	<u>1,571</u>
Interest:				
Interest Earned	500	940	697	(243)
Cassidy Park Campground Donations & Interest	-	-	3	3
Main Street Donations & Interest	-	-	2,280	2,280
Retirement Interest Earned	-	-	108	108
Total interest earned	<u>500</u>	<u>940</u>	<u>3,088</u>	<u>2,148</u>
Miscellaneous:				
2% fire insurance	50,600	52,730	52,731	1
Cemetery plot sales	12,950	60,000	54,450	(5,550)
Airport income	2,150	1,700	947	(753)
Advertising	-	-	908	908
Returned checks charges	-	-	5,902	5,902
Police seized funds	-	-	(5,377)	(5,377)
ATM rent	-	-	325	325
Sale of equipment	10,000	10,000	-	(10,000)
Sale of adjudicated property	15,000	4,000	2,117	(1,883)
Xerox receipts	-	-	27	27
Police forfeiture funds	-	-	71	71
Other miscellaneous revenue	80,000	90,000	274,903	184,903
Total miscellaneous	<u>170,700</u>	<u>218,430</u>	<u>387,004</u>	<u>168,574</u>
TOTAL REVENUES	<u>\$ 6,531,880</u>	<u>\$ 7,202,340</u>	<u>\$ 7,040,483</u>	<u>\$ (161,857)</u>

See accompanying independent auditor's report.

(concluded)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	\$ 76,320	\$ 76,320	\$ 43,391	\$ 32,929
Contract overtime	880	880	949	(69)
Overtime	-	190	127	63
Supplies and expense	7,500	7,500	12,256	(4,756)
Employee group insurance	5,830	6,630	6,625	5
Travel	15,000	7,000	5,532	1,468
Auditing fees	65,000	90,000	166,330	(76,330)
Publications	3,350	3,350	6,200	(2,850)
<i>Total City Council</i>	<u>173,880</u>	<u>191,870</u>	<u>241,410</u>	<u>(49,540)</u>
<i>Mayor's Office:</i>				
Salaries and wages	91,440	82,330	78,829	3,501
Contract overtime	870	870	754	116
Overtime	-	830	1,063	(233)
Supplies and expense	6,000	6,000	10,582	(4,582)
Gas and oil	4,500	4,500	4,933	(433)
Employee group insurance	12,660	14,390	13,227	1,163
Travel	7,500	7,500	5,041	2,459
Dues and subscriptions	5,000	1,500	1,322	178
<i>Total Mayor's Office</i>	<u>127,970</u>	<u>117,920</u>	<u>115,751</u>	<u>2,169</u>
<i>City Attorney:</i>				
Legal and professional	30,000	28,710	27,080	1,630
<i>Total City Attorney</i>	<u>30,000</u>	<u>28,710</u>	<u>27,080</u>	<u>1,630</u>
<i>City Prosecutor:</i>				
Salaries and wages	44,230	44,230	44,282	(52)
Contract overtime	910	910	909	1
Overtime	-	1,440	1,160	280
Office allowance	700	700	535	165
Employee group insurance	5,830	6,630	6,625	5
<i>Total City Prosecutor</i>	<u>\$ 51,670</u>	<u>\$ 53,910</u>	<u>\$ 53,511</u>	<u>\$ 399</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Personnel:				
Salaries and wages	\$ 66,180	\$ 47,830	\$ 46,460	\$ 1,370
Temporary	-	-	1,374	(1,374)
Contract overtime	910	230	225	5
Overtime	-	150	150	-
Supplies and expense	1,300	810	875	(65)
Employee training materials	1,500	-	-	-
Employee group insurance	11,660	7,610	7,614	(4)
Travel	4,500	2,500	1,409	1,091
Education and training	1,500	-	-	-
Dues and subscriptions	150	-	-	-
Total personnel	87,700	59,130	58,107	1,023
Administration and Finance:				
Salaries and wages	247,840	281,560	286,065	(4,505)
Contract overtime	6,940	6,340	6,338	2
Overtime	3,000	1,720	6,894	(5,174)
Supplies and expense	44,000	44,000	45,293	(1,293)
Gas and oil	-	-	338	(338)
Employee group insurance	52,490	59,680	60,043	(363)
Travel	7,500	4,000	2,593	1,407
Computer maintenance	-	-	25	(25)
Education and training	3,500	1,500	380	1,120
Contract labor - pension records	10,000	10,000	-	10,000
Total administration and finance	375,270	408,800	407,969	831
Retirement system:				
General government	593,465	544,310	334,214	210,096
Public safety	662,035	672,470	718,236	(45,766)
Total retirement system	1,255,500	1,216,780	1,052,450	164,330
Purchasing:				
Salaries and wages	86,780	30,640	30,641	(1)
Overtime	-	-	179	(179)
Supplies and expense	2,500	4,000	4,357	(357)
Gas and oil	-	270	241	29
Employee group insurance	5,830	6,630	6,625	5
Education & Training	2,500	-	-	-
Advertising	4,000	11,000	15,185	(4,185)
Travel	3,000	-	-	-
Total purchasing	\$ 104,610	\$ 52,540	\$ 57,228	\$ (4,688)

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<i>General and Administrative:</i>				
Fica and medicare expense	\$ 83,260	\$ 82,560	\$ 87,693	\$ (5,133)
Interest expense	15,000	15,000	8,978	6,022
Insurance expense	1,000,000	1,000,000	883,424	116,576
Legal and other professional	25,000	150,000	193,288	(43,288)
Utilities expense	315,000	389,720	403,867	(14,147)
Assessor's fees	6,500	-	5,812	(5,812)
Coronor's expense	15,000	32,000	46,945	(14,945)
Wash. Parish Veterans Office	9,000	9,000	9,920	(920)
City Court Supplies & Expense	15,000	-	-	-
Municipal fire and police - civil service	4,000	4,000	4,144	(144)
Tax Renewal Advertising	1,500	-	-	-
Police witness fees	15,250	15,250	14,100	1,150
Bonding fees expense	100	100	7,988	(7,888)
Miscellaneous	25,000	45,000	44,720	280
GPS	-	6,470	6,471	(1)
Election expense	15,000	28,000	20,508	7,492
Planning and zoning	3,750	3,750	3,969	(219)
Wash. Parish youth services	4,000	4,000	-	4,000
RCC contract	-	-	-	-
Police forfeiture fund expense	1,000	-	5,377	(5,377)
City Hall Project - Federal Funds	-	200,000	-	200,000
Sales Tax Collection Expense	41,120	75,000	-	75,000
Bradford Lane - CWEF grant expense	-	-	1,150	(1,150)
Main Street expenses	-	-	3,119	(3,119)
E 6th Street Expense	-	44,760	44,761	(1)
Fire account expense	-	71,250	-	71,250
LGAP grant expense	-	39,740	-	39,740
Other projects	10,000	8,000	67,131	(59,131)
<i>Total general and administrative</i>	<u>1,604,480</u>	<u>2,223,600</u>	<u>1,863,365</u>	<u>360,235</u>
Total general government	<u>\$ 3,811,080</u>	<u>\$ 4,353,260</u>	<u>\$ 3,876,871</u>	<u>\$ 476,389</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Public Safety				
<i>Police:</i>				
Salaries and wages	\$ 1,171,480	\$ 1,186,610	\$ 1,192,454	\$ (5,844)
Contract overtime	130,220	128,000	124,644	3,356
Overtime	100,000	110,440	150,803	(40,363)
Shift differential	9,800	7,650	7,546	104
Holiday pay	82,280	82,280	71,138	11,142
State supplemental pay	212,860	192,090	179,736	12,354
Prepaid uniform allowance	15,200	13,200	13,800	(600)
Supplies and expense	40,000	30,370	43,345	(12,975)
Gas and oil	65,000	62,000	80,630	(18,630)
Employee group insurance	244,940	278,500	284,149	(5,649)
Travel	5,000	1,500	641	859
Repairs - equipment and radios	2,500	1,000	431	569
Special investigations	1,000	1,000	900	100
Narcotics investigations	5,000	1,000	-	1,000
Education and training	15,000	12,000	8,895	3,105
Computer maintenance	2,500	-	-	-
LACLE Grant - Equipment	-	6,580	-	6,580
Combination Investigation Grant - Overtime	13,330	13,330	-	13,330
LA Safety Commission Grant - Overtime	5,000	5,000	-	5,000
Criminal Patrol Grant - Overtime	4,500	4,500	-	4,500
Department of Justice Grant	-	790	-	790
Homeland Security Grant - Supplies	17,890	7,450	-	7,450
<i>Total police</i>	<u>2,143,500</u>	<u>2,145,290</u>	<u>2,159,112</u>	<u>(13,822)</u>
<i>Fire:</i>				
Salaries and wages	937,550	999,320	1,098,927	(99,607)
Contract overtime	113,950	113,950	118,853	(4,903)
Overtime	15,000	15,000	32,859	(17,859)
Shift differential	6,490	5,540	5,930	(390)
Holiday pay	64,970	60,100	61,102	(1,002)
State supplemental pay	210,000	196,520	197,150	(630)
Fire department grant salaries	100,000	100,000	-	100,000
Prepaid uniform allowance	13,650	13,650	12,600	1,050
Supplies and expense	12,500	20,000	30,376	(10,376)
Gas and oil	14,000	18,000	26,261	(8,261)
Employee group insurance	209,950	238,710	213,785	24,925
Travel	5,250	1,000	111	889
Education and training	14,400	14,400	15,125	(725)
<i>Total fire</i>	<u>1,717,710</u>	<u>1,796,190</u>	<u>1,813,079</u>	<u>(16,889)</u>
Total public safety	<u>\$ 3,861,210</u>	<u>\$ 3,941,480</u>	<u>\$ 3,972,191</u>	<u>\$ (30,711)</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Public Works				
<i>Public works - central:</i>				
Salaries and wages	\$ 899,010	\$ 656,940	\$ 691,642	\$ (34,702)
Temporary	-	-	2,785	(2,785)
Overtime	15,000	34,510	80,670	(46,160)
Contract overtime	1,620	1,620	1,623	(3)
Allowance - rainsuits, clothing	2,040	1,750	1,604	146
Supplies and expense	17,000	35,000	44,765	(9,765)
Gas and oil	60,000	75,500	96,926	(21,426)
Pest control materials	20,000	12,940	22,159	(9,219)
Cemetery maintenance materials	10,000	25,000	51,981	(26,981)
Uniform expense	16,000	20,250	19,536	714
Employee group insurance	233,280	171,250	172,369	(1,119)
Travel	1,000	1,000	2,088	(1,088)
Education & Training	5,000	7,000	6,714	286
<i>Total public works - central</i>	<u>1,279,950</u>	<u>1,042,760</u>	<u>1,194,862</u>	<u>(152,102)</u>
<i>Public works - electrical:</i>				
Salaries and wages	37,980	37,980	37,982	(2)
Overtime	100	450	299	151
Allowance - rainsuits, clothing	70	130	130	-
Supplies and expense	900	200	131	69
Tools and equipment	100	300	238	62
Education & Training	1,000	-	-	-
Employee group insurance	5,830	6,630	6,625	5
<i>Total public works - electrical</i>	<u>45,980</u>	<u>45,690</u>	<u>45,405</u>	<u>285</u>
<i>Public works - motor pool:</i>				
Salaries and wages	92,600	92,600	93,006	(406)
Overtime	25,550	35,052	20,485	14,567
Allowance - rainsuits, clothing	280	280	280	-
Supplies and expense	5,000	3,170	2,275	895
Tools and equipment	3,500	10,000	8,935	1,065
Gas and oil	8,500	11,500	14,588	(3,088)
Employee group insurance	23,330	26,530	26,498	32
Vehicle maintenance - general	2,000	19,000	19,283	(283)
Vehicle maintenance - police	30,000	34,000	35,908	(1,908)
Vehicle maintenance - fire	10,000	15,500	13,193	2,307
Vehicle maintenance - public works	50,000	110,000	19,973	90,027
Education & Training	1,000	-	-	-
Licenses - chauffeurs	350	350	174	176
<i>Total public works - motor pool</i>	<u>252,110</u>	<u>357,982</u>	<u>254,598</u>	<u>103,384</u>
Total public works	<u>\$ 1,578,040</u>	<u>\$ 1,446,432</u>	<u>\$ 1,494,865</u>	<u>\$ (48,433)</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Culture and recreation:				
LGAP grant	\$ -	\$ -	\$ 39,740	\$ (39,740)
City beautification project	10,000	8,000	6,822	1,178
Total culture and recreation	<u>10,000</u>	<u>8,000</u>	<u>46,562</u>	<u>(38,562)</u>
Airport:				
State airport grant expense	-	38,820	41,138	(2,318)
Airport manager	15,600	-	34,284	(34,284)
Salaries and wages	-	32,700	-	32,700
Airport expense	7,420	22,000	23,504	(1,504)
Insurance	5,830	8,340	9,816	(1,476)
Utilities	26,000	28,130	28,545	(415)
Maintenance	2,500	34,000	43,196	(9,196)
Travel	2,500	2,500	2,934	(434)
Gas & oil	-	-	1,427	(1,427)
Total airport	<u>59,850</u>	<u>166,490</u>	<u>184,844</u>	<u>(18,354)</u>
Hurricane relief and restoration	<u>-</u>	<u>-</u>	<u>96,289</u>	<u>(96,289)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>60</u>	<u>(60)</u>
Intergovernmental :				
City court personnel compensation	148,030	148,030	141,541	6,489
City court supplies and expense	-	15,000	11,841	3,159
Total intergovernmental	<u>148,030</u>	<u>163,030</u>	<u>153,382</u>	<u>9,648</u>
Capital lease payments	<u>72,040</u>	<u>18,010</u>	<u>18,004</u>	<u>6</u>
TOTAL EXPENDITURES	<u>\$ 9,540,250</u>	<u>\$ 10,096,702</u>	<u>\$ 9,843,068</u>	<u>\$ 349,983</u>

See accompanying independent auditor's report.

(concluded)

Non-Major Governmental Funds

CITY OF BOGALUSA, LOUISIANA
Non-Major Governmental Funds
December 31, 2012

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 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, 2012

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	\$ 79,121	\$ 72,613	\$ 61,375	\$ 2,286	\$ -	\$ 23,522	\$ 37,067
Property taxes receivable	-	-	-	-	3,375	28,906	-
Accounts receivable	91,529	45,764	27,423	9,000	-	-	58,387
Due from other funds	-	123,860	24,740	242,189	-	-	-
TOTAL ASSETS	170,650	242,237	113,538	253,475	3,375	52,428	95,454
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 170,650	\$ 242,237	\$ 113,538	\$ 253,475	\$ 3,375	\$ 52,428	\$ 95,454
LIABILITIES							
Accounts payable	\$ -	\$ 23,435	\$ 2,384	\$ 13,480	\$ -	\$ 26,788	\$ 22,419
Due to other funds	170,000	218,802	111,154	239,104	-	204,022	65,529
TOTAL LIABILITIES	170,000	242,237	113,538	252,584	-	230,810	87,948
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue	-	-	-	-	-	9,457	-
FUND BALANCES							
Restricted for:							
Debt service	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Special programs	650	-	-	891	3,375	-	7,506
Unassigned	-	-	-	-	-	(187,839)	-
TOTAL FUND BALANCES	650	-	-	891	3,375	(187,839)	7,506
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 170,650	\$ 242,237	\$ 113,538	\$ 253,475	\$ 3,375	\$ 52,428	\$ 95,454

See accompanying independent auditor's report

(continued)

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	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	
ASSETS					
Cash and cash equivalents	\$ -	\$ 96,084	\$ -	\$ 233,659	\$ 605,727
Property taxes receivable	-	27,958	-	39,745	99,984
Accounts receivable	-	-	417,491	-	649,594
Due from other funds	-	-	108,288	151,030	650,107
TOTAL ASSETS	-	124,042	525,779	424,434	2,005,412
DEFERRED OUTFLOWS OF RESOURCES					
	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ -	\$ 124,042	\$ 525,779	\$ 424,434	\$ 2,005,412
LIABILITIES					
Accounts payable	\$ -	\$ 1,108	452,720	\$ -	\$ 542,334
Due to other funds	-	106,300	73,059	-	1,187,970
TOTAL LIABILITIES	-	107,408	525,779	-	1,730,304
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	-	9,457	-	13,004	31,918
FUND BALANCES					
Restricted for:					
Debt service	-	-	-	411,430	411,430
Maintenance	-	7,177	-	-	7,177
Special programs	-	-	-	-	12,422
Unassigned	-	-	-	-	(187,839)
TOTAL FUND BALANCES	-	7,177	-	411,430	243,190
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ -	\$ 124,042	\$ 525,779	\$ 424,434	\$ 2,005,412

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, 2012

	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	\$ -	\$ -	\$ -	\$ -	\$ (352)	\$ 128,126	\$ -
Sales Taxes	1,016,130	508,064	304,433	-	-	-	670,980
Intergovernmental	-	4,349	-	-	-	-	53,583
Interest	34	132	31	13	63	30	20
Rent	-	-	-	142,406	-	-	-
Miscellaneous	-	-	-	-	-	20,575	33,883
Total revenues	<u>1,016,164</u>	<u>512,545</u>	<u>304,464</u>	<u>142,419</u>	<u>(289)</u>	<u>148,731</u>	<u>758,466</u>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	807,270
Public works	-	516,548	183,534	-	-	-	-
Culture and Recreation	-	-	-	-	1,163	326,241	-
Economic Development	-	-	-	162,698	-	-	-
Capital outlay	-	-	67,940	3,100	-	126,732	-
Debt Service:							
Principal	-	-	54,202	-	-	-	-
Interest	-	-	5,040	-	-	-	-
Total expenditures	<u>-</u>	<u>516,548</u>	<u>310,716</u>	<u>165,798</u>	<u>1,163</u>	<u>452,973</u>	<u>807,270</u>
Excess (deficiency) of revenues over expenditures	1,016,164	(4,003)	(6,252)	(23,379)	(1,452)	(304,242)	(48,804)
Other financing sources (uses):							
Transfers to other funds	(1,067,400)	-	-	-	-	-	-
Transfers from other funds	50,000	-	-	24,460	-	25,597	54,000
	<u>(1,017,400)</u>	<u>-</u>	<u>-</u>	<u>24,460</u>	<u>-</u>	<u>25,597</u>	<u>54,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,236)	(4,003)	(6,252)	1,081	(1,452)	(278,645)	5,196
Fund balance (deficit), beginning	<u>1,886</u>	<u>4,003</u>	<u>6,252</u>	<u>(190)</u>	<u>4,827</u>	<u>90,806</u>	<u>2,310</u>
Fund balance (deficit), ending	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891</u>	<u>\$ 3,375</u>	<u>\$ (187,839)</u>	<u>\$ 7,506</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, 2012

	<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>	
Revenues:					
Ad valorem Taxes	\$ -	\$ 129,572	\$ -	\$ 176,167	\$ 433,513
Sales Taxes	-	-	-	-	2,499,607
Intergovernmental	-	-	814,206	-	872,138
Interest	-	96	-	156	575
Rent	-	-	-	-	142,406
Miscellaneous	-	-	-	-	54,458
Total revenues	<u>-</u>	<u>129,668</u>	<u>814,206</u>	<u>176,323</u>	<u>4,002,697</u>
Expenditures:					
Current -					
Public safety	-	-	-	-	807,270
Public works	12	-	-	-	700,094
Culture and Recreation	-	234,349	-	-	561,753
Economic Development	-	-	-	-	162,698
Capital outlay	-	-	916,218	-	1,113,990
Debt Service -					
Principal	-	-	-	100,000	154,202
Interest	-	-	-	61,030	66,070
Total expenditures	<u>12</u>	<u>234,349</u>	<u>916,218</u>	<u>161,030</u>	<u>3,566,077</u>
Excess (deficiency) of revenues over expenditures	(12)	(104,681)	(102,012)	15,293	436,620
Other financing sources (uses):					
Transfers to other funds	(182)	-	-	-	(1,067,582)
Transfers from other funds	-	-	108,288	-	262,345
	<u>(182)</u>	<u>-</u>	<u>108,288</u>	<u>-</u>	<u>(805,237)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(194)	(104,681)	6,276	15,293	(368,617)
Fund balance (deficit), beginning	<u>194</u>	<u>111,858</u>	<u>(6,276)</u>	<u>396,137</u>	<u>611,807</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 7,177</u>	<u>\$ -</u>	<u>\$ 411,430</u>	<u>\$ 243,190</u>

See accompanying independent auditor's report

(concluded)

Information Required by Debt Agreements

CITY OF BOGALUSA, LOUISIANA

INSURANCE-IN-FORCE
DECEMBER 31, 2012
(UNAUDITED)

<u>Policy</u>	<u>Insurance Company</u>	<u>Term</u>	<u>Policy #</u>	<u>Coverage</u>
Property/Inland Marine	Scottsdale Insurance Co.	03/25/12 – 03/25/13	CPS1294418	Various
Electronic Equipment	America First Insurance	01/01/12 – 01/01/13	IM8107636	\$ 517,000
Equipment Breakdown	Travelers	12/27/11 – 12/27/12	BAJ-BME1- 1942X304-TIL-12	\$ 100,000 each
Crime	Travelers	02/12/11 – 02/12/14	105562262	\$ 75,000 per loss
Airport Liability Lessor's Risk Only	Star Insurance Company	11/01/11 – 11/01/12	GL005- 87746-00	\$ 2,000,000
Worker's Compensation	LA Muni Risk Mgmt Agency	01/01/12 – 01/01/13	70-0289	\$ 100,000 each
Commercial Liability	LA Muni Risk Mgmt Agency	02/14/10 – 02/14/13	100-0330 0013230	\$ 500,000 CSL
Law Enforcement Liability	LA Muni Risk Mgmt Agency	02/14/10 – 02/14/13	100-0330 0013230	\$ 500,000 CSL
Automotive	LA Muni Risk Mgmt Agency	02/14/10 – 02/14/13	100-0330 0013230	\$ 500,000 CSL
Automotive	Houston Specialty Insurance	03/07/12 – 03/07/13	HSLR18- 00073-00	Various
Errors and Omissions	LA Muni Risk Mgmt Agency	02/14/10 – 02/14/13	100-0330 0013230	\$ 500,000 CSL
Equipment Floater	Houston Specialty Insurance	10/04/12 – 10/04/13	HSLR18-0146501	\$ 751,045

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA

PUBLIC UTILITY SYSTEM OPERATIONS

DECEMBER 31, 2012

(UNAUDITED)

Statistics on System Operations

- (a) As of December 31, 2012, there were 5,895 total customers for the water system; 205 unmetered.
- (b) The following rate schedules were in effect during the fiscal year for water services:

Water:

	<u>Residential and Commercial Inside City</u>	<u>Residential and Commercial Outside City</u>
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 \$ 38.88

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

Water, Sewer and Garbage Collection \$ 43.24

See accompanying independent auditor's report.

Other Reports

ROBERT A. NEILSON

CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

ROBERT A. NEILSON

MEMBER

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Charles E. Mizell, Mayor
and the Members of the City Council
City of Bogalusa, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the City of Bogalusa, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City of Bogalusa, Louisiana's major federal programs for the year ended December 31, 2012. The City of Bogalusa, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Bogalusa, Louisiana's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bogalusa, Louisiana's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Bogalusa, Louisiana's compliance.

Basis for Qualified Opinion on Capitalization Grants for Clean Water State Revolving Funds

As described in the accompanying schedule of findings and questioned costs, the City of Bogalusa, Louisiana did not comply with requirements regarding CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds as described in finding 2012-6 for Other. Compliance with such requirements is necessary, in my opinion, for the City of Bogalusa, Louisiana to comply with the requirements applicable to that program.

Qualified Opinion on Capitalization Grants for Clean Water State Revolving Funds

In my opinion, except for the noncompliance described in the preceding paragraph, the City of Bogalusa, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for Clean Water State Revolving Funds Program for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In my opinion, the City of Bogalusa, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

The City of Bogalusa, Louisiana's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The City of Bogalusa, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Bogalusa, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Bogalusa, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Bogalusa, Louisiana's internal control over compliance.

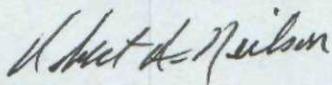
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-6 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Bogalusa, Louisiana's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The City of Bogalusa, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bogalusa, Louisiana
June 20, 2013

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**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**

Independent Auditor's Report

To the Honorable Charles E. Mizell, Mayor
and the Members of the City Council

I have audited 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bogalusa, Louisiana as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued my report thereon dated June 20, 2013.

Internal Control Over Financial Reporting

In planning and performing my 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 my 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 questioned costs, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as items 2012-3 to be a material weakness.

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.

Compliance and Other Matters

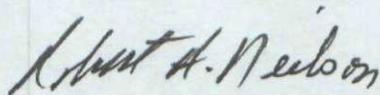
As part of obtaining reasonable assurance about whether City of Bogalusa's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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, we do not express such an opinion. The results of my 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 questioned costs as items 2012-1, 2012-2, 2012-4, 2012-5, and 2012-6.

The City of Bogalusa, Louisiana's Response to Findings

The City of Bogalusa, Louisiana's responses to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The City'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 result 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
June 20, 2013

City of Bogalusa
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Grant Award Number / Project ID	CFDA Number	Federal Expenditures
United States Department of Justice			
Indirect Programs:			
Pass-through Louisiana Commission on Law Enforcement and Administration of Criminal Justice			
Combination Investigation	M11-5-005	16.588	\$ 5,916
Criminal Patrols	B11-5-009	16.738	4,050
			<u>9,966</u>
Direct Programs:			
Justice Assistance Grant Recovery Program	2011-DJ-BX-3358	16.738	<u>17,406</u>
Total US Department of Justice			<u>27,372</u>
United States Department of Transportation			
Indirect Programs:			
Pass-through Louisiana Highway Safety Commission			
Police Traffic Services	2012-30-70-07	20.205 - ARRA	2,500
Police Traffic Services	2013-30-16	20.601	1,594
			<u>4,094</u>
Pass-through the Louisiana Department of Transportation and Development			
Airport Improvement Program	unknown	20.106	814,206
Pass-through Louisiana Department of Culture, Recreation, and Tourism			
FHWA Recreational Trails Program	06LRT-WSH-0201/745-59-0003/NRT RT06(001)	20.219	<u>26,131</u>
Total US Department of Transportation			<u>844,431</u>
United States Department of Homeland Security			
Federal Emergency Management Agency			
Assistance to Firefighters Grant	EMW-2010-FO-09283	97.044	71,250
Assistance to Firefighters Grant	EMW-2010-FH-001116	97.044	92,903
Indirect Programs:			
Pass-through Governor's Office of Homeland Security			
Public Assistance - Disaster Grants for Presidentially Declared Disasters	Various	97.036	155,265
Total US Department of Homeland Security			<u>319,418</u>

See accompanying notes to schedule of expenditures of federal awards

(continued)

City of Bogalusa
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Grant Award Number / Project ID	CFDA Number	Federal Expenditures
Environmental Protection Agency			
Indirect Programs:			
Pass-through University of New Orleans Research and Technology Foundation, Inc.			
Congressionally Mandated Projects	BR-00F40501 / 58/554-S04 (D)	66.125	55,060
Pass-through Louisiana Department of Health and Hospitals			
Capitalization Grants for Drinking Water State Revolving Funds (forgiven)	AR-1	66.458 - ARRA	565,134
Capitalization Grants for Drinking Water State Revolving Funds (loan)	AR-1	66.458 - ARRA	565,134
			1,130,268
Total Environmental Protection Agency			1,185,328
Total Expenditures of Federal Awards			\$ 2,376,549

See accompanying notes to schedule of expenditures of federal awards

(concluded)

CITY OF BOGALUSA, LOUISIANA
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2012

Note A – General

The City of Bogalusa’s Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the primary government of the City. All federal financial assistance received directly from federal agencies is included on the schedule, as well as federal financial assistance passed-through other government agencies.

Note B – Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City’s financial statements for the year ended December 31, 2012.

Note C – Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. Expenditures of awards are accounted for among the various functional expenditure categories employed by the City in each award’s respective fund that accounts for the grant revenue, or the loan payable as in the case of the Drinking Water Revolving Loan Fund Program.

CITY OF BOGALUSA, LOUISIANA
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes ___ No

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes ___ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.106	United States Department of Transportation Airport Improvement Program
66.458	Environmental Protection Agency Passed-through Louisiana Department of Health and Hospitals

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ Yes X No

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

Section II – Financial Statement Findings

2012-1

Criteria	State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee’s Retirement System 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, 2012, the City had a net pension obligation of \$9,378,353. The actuarial required annual contribution calculated for 2012 was \$1,440,626. The City’s contributions for the plan year were \$477,132 resulting in an increase of the net pension obligation of \$963,494 for the year. The funded ratio has decreased from 67.8% at June 30, 2001 to 36.81% at June 30, 2012.</p> <p>Also, the City owes the retirement system for ad valorem taxes that were deposited in the general fund checking account.</p>
Effect	An increase in the net pension obligation for the year.
Recommendation	<p>The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.</p> <p>In addition, the City should pay the retirement system the ad valorem taxes held in its general fund checking account.</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.

2012-2

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 the bonds.
Condition	In prior periods, the General Fund improperly borrowed \$660,000 from the Debt Service Fund and \$151,030 from the Street Overlay Fund.
Effect	Violation of Loan agreements and State law.
Recommendation	These loans should be repaid.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

2012-2 (continued)

Management's
Response

In 2012, the City's General Fund began to repay these borrowings. Approximately \$120,000 was repaid to the Debt Service Fund and, leaving a balance owed of \$540,000. The Street Overlay funds owed have been reduced by \$21,030, leaving a balance of \$130,000 owed thru May, 2013. The City will continue to repay the debt as funds become available and as funds are needed to service the outstanding debt.

2012-3

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.

Condition

The City's internal controls are not being complied with by personnel and are being overridden by management. Instances were found in which accounts payable and purchasing procedures were not followed.

Effect

Internal controls are instituted for safeguarding of an entity's assets against unauthorized acquisition, use, or disposition.

Recommendation

The City's management and personnel should comply with written policies and procedures.

Management's
Response

The Director of Administration will identify and admonish those not in compliance.

2012-4

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.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

2012-4 (continued)

Management's
Response

The System will revisit the current investment policy to determine that most appropriate strategy in today's market.

2012-5

Criteria

The Revenue Refunding Bonds, Series 2012 bond covenants require that a reserve fund be established and funded in the amount of the lesser of 1) 10% of the aggregate principal amount of all bonds outstanding; 2) a sum equal to the annual principal and interest requirements for any succeeding bond year on the bonds; or, 3) 125% of the aggregate average annual debt service on the bonds. For the year ended December 31, 2012, \$2,600,000 of principal was outstanding; therefore, \$260,000 was required to be held in the reserve fund.

Condition

The reserve fund, as required by the bond covenants, was not funded.

Effect

Violation of bond covenants.

Recommendation

The City should periodically review all funding requirements and ensure that the City is in compliance.

Management's
Response

The lack of funding of the reserve account was a result of misunderstanding of the covenants and requirements of the 2012 refunding bonds. The City's administration was of the understanding, based upon consultations with consultants, that such reserves were not required. Going forward, the reserve accounts will be adequately funded.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

Section III – Federal Award Findings and Questioned Costs

2012-6 – Capitalization Grants for Drinking Water State Revolving Funds

Criteria	The Water Revenue Bonds, Series 2009 terms contained within the General Bond Ordinance require that four special funds be created and funded – 1) a Water Revenue Fund; 2) a Revenue Bond Debt Service Fund; 3) a Water Revenue Bond Debt Service Reserve Fund; and 4) a Water System Depreciation and Contingency Fund.
Condition	As of December 31, 2012, these funds were created, but the reserve fund not funded as required by the General Bond Ordinance. Additionally, the separation of accounting for the water, sewer, and garbage revenues has not been done to isolate the reporting on each of these operations, specifically the water system as required by the bond agreement.
Effect	Violation of Bond agreements.
Recommendation	The City should ensure that these funds are funded as directed by the Bond Ordinance and create separate cost centers to identify revenues and expenditures associated specifically with each function – water, sewer, and garbage.
Management's Response	The City's administration will ensure that amounts are adequately funded in 2013.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2012

Section II – Financial Statement Findings

2011-1

Criteria	Louisiana R.S. 39:1311 requires that the budget be amended when total revenue and other sources 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; or, 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. Furthermore, R.S. 39:1305 requires that total proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year.
Condition	The budget was not properly amended during the year and the City failed to maintain expenditures within available funds for the year. The City continues deficit spending – spending in excess of the fund balance.
Effect	Violation of State law.
Recommendation	The budget should be amended as necessary to comply with state law and the City should restore the General Fund balance.
Current Status	Resolved.

2011-2

Criteria	State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee’s Retirement System 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, 2011, the City had a net pension obligation of \$8,414,858. The actuarial required annual contribution calculated for 2011 was \$1,793,612. The City’s contributions for the plan year were \$495,668 resulting in an increase of the net pension obligation of \$1,297,944 for the year. The funded ratio has decreased from 67.8% at June 30, 2001 to 31.88% at June 30, 2011.</p> <p>Also, the City owes the retirement system \$176,590 for 2006 ad valorem taxes that were deposited in the general fund checking account.</p>
Effect	An increase in the net pension obligation for the year.
Recommendation	The City should develop a plan to ensure that the plan is actuarially funded in accordance with state law.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2012

2011-2 (continued)

In addition, the City should pay the retirement system the approximately \$176,590 of 2006 ad valorem taxes held in its general fund checking account.

Current Status The condition still exists as of December 31, 2012. See report finding 2012-1.

2011-3

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 the bonds.

Condition In prior periods, the General Fund improperly borrowed \$660,000 from the Debt Service Fund and \$151,030 from the Street Overlay Fund.

Effect Violation of Loan agreements and State law.

Recommendation These loans should be repaid.

Current Status The condition still exists as of December 31, 2012. See report finding 2012-2.

2011-4

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.

Condition The City's internal controls are not being complied with by personnel and are being overridden by management. Numerous instances were found in which payroll, accounts payable, and purchasing procedures were not followed. During the audit procedures performed, the following examples were found.

Payroll – Raises were given to employees without written documentation of amount and approval; therefore, these raises cannot be verified as to accuracy or proper authorization. Timesheets were submitted without department head or supervisor written approval; therefore, the hours worked and comp time taken/accrued cannot be verified. Additionally, some timesheets were "approved" by use of a signature stamp, thereby exhibiting that the timesheet was not actually reviewed by the "authorizer". Employee personnel files were not complete. Some files reviewed for new employees did not have documentation for pay rate or written approval by a department head.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2012

2011-4 (continued)

Accounts Payable – Cash disbursements and employee expense reimbursements were made without receipts or documentation as to what was purchased or business purpose. Cash disbursements and employee expense reimbursements were made without proper written authorization. Policies and procedures requiring such are intended to act as a checks and balances for all personnel and to ensure that each purchase was reasonable and had an appropriate business purpose.

Purchasing - The City Charter and written policies and procedures require that all requests for payment be accompanied by an approved requisition and purchase order and the invoice. Numerous payments were made without any of the above and more were made without at least one of the required documents.

Effect	Internal controls are instituted for safeguarding of an entity's assets against unauthorized acquisition, use, or disposition.
Recommendation	The City's management and personnel should comply with written policies and procedures.
Current Status	The instances in which procedures were not being complied with regarding payroll have been resolved. However, the City is not in compliance with internal controls relating to accounts payable and purchasing. See report finding 2012-3.

2011-5

Criteria	The City Charter Article IV – Section 4-01B states that the salaries of department heads appointed by the Mayor shall be set by the Mayor subject to approval of the council.
Condition	A department head was given an increase in pay without approval by the council.
Effect	Violation of City Charter
Recommendation	The City's management should comply with all laws and regulations in which it is subject.
Current Status	Resolved.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2012

Section III – Federal Award Findings and Questioned Costs

2011-6 – Capitalization Grants for Drinking Water State Revolving Funds

Criteria	The Water Revenue Bonds, Series 2009 terms contained within the General Bond Ordinance require that four special funds be created and funded – 1) a Water Revenue Fund; 2) a Revenue Bond Debt Service Fund; 3) a Water Revenue Bond Debt Service Reserve Fund; and 4) a Water System Depreciation and Contingency Fund.
Condition	As of December 31, 2011, these funds were created, but were not funded as required by the General Bond Ordinance. The separation of accounting for the water, sewer, and garbage revenues has not been done to isolate the reporting on each of these operations, specifically the water system as required by the bond agreement.
Effect	Violation of Bond agreements.
Recommendation	The City should create these funds as directed by the Bond Ordinance and create separate cost centers to identify revenues and expenditures associated specifically with each function – water, sewer, and garbage.
Current Status	All the required funds have been created; however, the reserve fund is still under funded and the accounting for the revenues has not been separated out. See report finding 2012-6.

2011-7 – FEMA Public Assistance Grant

Criteria	Section 311 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act requires recipients of disaster assistance to obtain and maintain insurance on facilities to which Federal funds were used. FEMA Public Assistance Policy Digest states that employee pay covered by assistance will be determined according to predisaster written policies. 44CFR 202.205(a), <i>Payment of Claims – Small Projects</i> states that failure to complete a small project may require the repayment of Federal funds. 44CFR 206.205(a) and (b)(1) states that grantees are required to make final payment on small projects when they are approved and are required to submit an accounting of eligible costs for each large project as soon as practical.
Condition	FEMA conducted an audit in which the City was found to be in violation of the above listed grant requirements.
Effect	Violation of grant agreements and possible repayment of funds.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2012

2011-7 – FEMA Public Assistance Grant (continued)

Recommendation The City should create and institute policies and procedures to ensure that grant covenants are strictly complied with to reduce exposure to violation of grant requirements and possible disallowance of expenditures.

Current Status The condition still exists. The FEMA audit continues to be ongoing and unresolved. The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) currently states that the City of Bogalusa owes \$994,550 due to expenditures disallowed during the audit and not previously disclosed by GOHSEP. This assessment is not final and the City awaits final notice.