
**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Louisiana Municipal Natural Gas
Purchasing and Distribution Authority

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of The Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 we plan and perform the audits 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 auditors' 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 Authority'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 Authority's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana Municipal Natural Gas Purchasing and Distribution Authority as of December 31, 2019 and 2018, and the changes in financial position and its cash flows for the years 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 on pages 3 through 5 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Municipal Natural Gas Purchasing and Distribution Authority's basic financial statements. The schedule of compensation, benefits, and other payments to the Chief Executive Officer included on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on pages 19 and 20, dated June 16, 2020, on our consideration of the Authority's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 16, 2020

**THE LOUISIANA MUNICIPAL NATURAL GAS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The Management's Discussion and Analysis of the Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority or LMNGA) presents a narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2019 and 2018. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

On August 1, 2006 the Authority issued revenue bonds series 2006 totaling \$223,705,000, the proceeds of which were used to finance the prepayment of natural gas purchases for a term of 10 years which ended August 1, 2016 and the related project costs for certain participating municipalities. All activity for this project was referred to and accounted for as the LMNGA Gas Project No. 1 (the Project) which was issued and secured under a trust indenture. During the year ended December 31, 2017, in accordance with the terms of the trust indenture for disposition of balances in funds after payment of bonds and interest, the remaining net position for the LMNGA Gas Project No. 1 Fund, in the amount of \$413,973, was transferred to the LMNGA Requirements Gas Fund. The Authority's traditional gas purchase and sale activity with members is referred to as the Requirements Gas Fund. The activities and financial position of the Authority are presented in these financial statements.

- The assets of the Authority exceeded its liabilities at December 31, 2019 by \$1,010,465 compared to \$899,337 as of December 31, 2018, which is a \$111,128 increase from the previous year.
- At December 31, 2019, the Authority's assets totaled \$3,157,356 which consisted primarily of accounts receivable and cash, as compared to a balance of \$4,814,666 at December 31, 2018 which consisted of the same. This decrease relates to the decrease in accounts receivable from members at year end.
- The Requirements Gas Fund purchases and resells gas to members under short term purchase commitments or based on current market prices. The Requirements Gas Fund total gas sales were \$18,216,957 and \$21,131,186 during the years ended December 31, 2019 and 2018, respectively. The decrease from the prior year is primarily a result of fluctuations in market prices. The average natural gas rate as of December 31, 2019 and 2018 was \$2.47 and \$4.73, respectively.

Overview of the Financial Statements

This financial report consists of Management's Discussion and Analysis and the basic financial statements. The basic financial statements also include notes to the basic financial statements, which explain some of the information in the basic financial statements in more detail.

The basic financial statements of the Authority report information about the Authority using accounting methods similar to those used by the private sector. The Statements of Net Position include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's members and creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the years' revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Authority's operations over the year and can be used to determine whether the Authority has successfully recovered all its costs through its operating revenue, profitability and credit worthiness. The final required basic financial statements are the Statements of Cash Flows.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Overview of the Financial Statements (continued)

The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments throughout the year. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

Fiduciary funds are used to account for resources held for the benefit of outside parties. Fiduciary funds are not reflected in the financial statements because the resources of those funds are not available to support the Authority's programs. The sole fiduciary fund of the Authority is the Settlement Fund, which contains monies belonging to parties involved in a Settlement Agreement.

Financial Analysis of the Authority

The statements of net position and the statements of revenues, expenses and changes in net position report information in a way that the reader can determine if the Authority is in a better financial position as a result of the year's activities. These statements report the net position of the Authority and changes in them. The net position (difference between assets, deferred outflows, deferred inflows and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the Authority's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions and new or changed government legislation.

Condensed Statements of Net Position

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total assets	\$ 3,157,356	\$ 4,814,666
Deferred outflows	-	-
Total liabilities	2,146,891	3,915,329
Deferred inflows	<u>-</u>	<u>-</u>
Net position	<u>\$ 1,010,465</u>	<u>\$ 899,337</u>

At December 31, 2019, the Authority's assets consist primarily of cash and accounts receivable from member municipalities throughout Louisiana. At December 31, 2019, accounts receivable decreased by 39% from the prior year due to a decrease in the December 2019 gas prices, in addition to a decrease in volume. The decrease in accounts payable for gas purchases was experienced at the end of 2019 associated with timing of receivable collections, vendor payments and the decrease in the average price of natural gas.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Financial Analysis of the Authority (continued)

Condensed Statements of Revenues and Expenses for the Years Ended December 31:

	<u>2019</u>	<u>2018</u>
Operating revenues and interest income	\$ 18,517,251	\$ 21,495,811
Operating expenses	<u>18,406,123</u>	<u>21,426,330</u>
Change in net position	<u>\$ 111,128</u>	<u>\$ 69,481</u>

In 2019, Authority reported operating revenues and interest income of \$18,517,251, compared to revenues and interest income in 2018 of \$21,495,811. The Authority reported total expenses \$18,406,123, a decrease of \$3,020,207 over the prior year. Expenses consist primarily of the cost of natural gas purchased from vendors which fluctuates based on overall market conditions.

Requests for Information

This financial report is designed to provide members, investors, and creditors with a general overview of the Authority's finances, as well as demonstrate accountability for funds the Authority receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Louisiana Municipal Natural Gas Purchasing and Distribution Authority, P.O. Box 4327, Baton Rouge, Louisiana 70821 or 225-344-5001.

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**STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS AND DEFERRED OUTFLOWS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 623,840	\$ 686,064
Accounts receivable, net	2,523,117	4,119,428
Prepaid insurance	<u>10,399</u>	<u>9,174</u>
Total current assets	<u>3,157,356</u>	<u>4,814,666</u>
Deferred outflows	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u><u>\$ 3,157,356</u></u>	<u><u>\$ 4,814,666</u></u>

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

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable and other liabilities	<u>\$ 2,146,891</u>	<u>\$ 3,915,329</u>
Total current liabilities	<u>2,146,891</u>	<u>3,915,329</u>
Deferred inflows	<u>-</u>	<u>-</u>
Net position - unrestricted	<u>1,010,465</u>	<u>899,337</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 3,157,356</u></u>	<u><u>\$ 4,814,666</u></u>

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

**THE LOUISIANA MUNICIPAL NATURAL GAS
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Gas sales	\$ 18,216,957	\$ 21,131,186
Membership dues	590,657	637,292
Legal fees billed	102,421	106,398
Late charges	-	212
Less: member discount	<u>(393,210)</u>	<u>(379,892)</u>
Total operating revenues	<u>18,516,825</u>	<u>21,495,196</u>
Operating expenses:		
Cost of natural gas	17,711,005	20,691,263
Purchase agent fee	307,261	366,308
Management fee	194,589	218,442
Legal and professional fees	175,004	134,306
Miscellaneous expenses	<u>18,264</u>	<u>16,011</u>
Total operating expenses	<u>18,406,123</u>	<u>21,426,330</u>
Operating income	110,702	68,866
Other revenues:		
Interest income	<u>426</u>	<u>615</u>
Change in net position	111,128	69,481
Net position, beginning of year	<u>899,337</u>	<u>829,856</u>
Net position, end of year	<u>\$ 1,010,465</u>	<u>\$ 899,337</u>

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

**THE LOUISIANA MUNICIPAL NATURAL GAS
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**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>Cash flows from operating activities:</u>		
Operating income	\$ 110,702	\$ 68,866
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in accounts receivable	1,596,311	(1,223,172)
Change in prepaids	(1,225)	-
Change in accounts payable and other liabilities	(1,768,438)	1,241,219
Net cash provided by (used in) operating activities	(62,650)	86,913
<u>Cash flows from investing activities:</u>		
Interest income received	426	615
Net cash provided by investing activities	426	615
Net change in cash	(62,224)	87,528
Cash, beginning of year	686,064	598,536
Cash, end of year	\$ 623,840	\$ 686,064

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

**THE LOUISIANA MUNICIPAL NATURAL GAS
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**STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	<u>\$ 1,038,504</u>	<u>\$ 1,017,897</u>
<u>LIABILITIES</u>		
Escrow accounts	<u><u>\$ 1,038,504</u></u>	<u><u>\$ 1,017,897</u></u>

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

**THE LOUISIANA MUNICIPAL NATURAL GAS
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NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority or LMNGA) is a quasi-public corporation and an instrumentality of the State of Louisiana, created on November 23, 1987 pursuant to La. R.S. 33:4546.1 et seq. for the purpose of purchasing and distributing natural gas to participating municipalities and political subdivisions.

On August 1, 2006, the Authority entered into the LMNGA Gas Project No. 1, whereby the Authority acquired natural gas supplies for participating municipalities utilizing a commodities swap transaction for a period of ten years in order to supply a portion of the natural gas purchases to participating municipalities. In conjunction with this transaction, the gas supplies were purchased with the proceeds of the \$223,705,000 from the LMNGA Revenue Bonds, Series 2006. Effective August 1, 2016, the LMNGA Gas Project No. 1 ended and the prepaid natural gas purchases were utilized and the bonds matured.

During the year ended December 31, 2017, in accordance with the terms of the trust indenture for disposition of balances in funds after payment of bonds and interest, the remaining net position for the LMNGA Gas Project No. 1 Fund, in the amount of \$413,973, was transferred to the LMNGA Requirements Gas Fund.

(a) *Basis of Accounting*

As a proprietary fund, the Authority's operations are accounted for using a flow of economic resources, measurement focus and the accrual basis of accounting. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of operating income and changes in net position is necessary or useful to sound financial administration. Under this method of accounting, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The operating statements present increases (revenues) and decreases (expenses) in net position.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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 and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.

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NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of Accounting* (continued)

Fiduciary Fund Type - Agency Funds:

Fiduciary funds are used to account for assets held by the Authority in a trustee or agency capacity. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations.

The statement of net position and the statement of revenues and expenses display information about the reporting government as a whole. These statements include all the financial activities of the Authority, except for the Fiduciary Fund. The Fiduciary Fund is only reported in the statements of fiduciary assets and liabilities. The sole fiduciary fund of the Authority is the Settlement Fund, which contains monies belonging to parties involved in a Settlement Agreement.

(b) *Net Position*

Net position represents the difference between assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those restricted assets. The restricted component of net position is used when there are limitations imposed on their use of an asset by external parties such as creditors, grantors, laws or regulations of other governments.

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

When both restricted and unrestricted resources are available for use for a particular project or purpose, it is Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Allowance for Uncollectible Accounts*

Management of the Authority assesses the status and collectability of accounts receivable and believes all accounts receivable are collectible based upon favorable history over a substantial period of time; therefore, an allowance for uncollectible accounts has not been provided.

(d) *Cash, Cash Equivalents*

Cash and cash equivalents include cash on hand and money market accounts. These deposits are stated at cost, which approximates fair value.

(e) *Purchase Agent Fee*

The Authority has a contract with a gas management firm to act as the exclusive agent to purchase natural gas for the Authority for the Requirements Fund. The contract was for five (5) years, which would have expired on April 30, 2013 but was extended through June 8, 2021.

(f) *Management Fee*

In 2018, the Authority contracted with the Louisiana Municipal Association (LMA) to manage the affairs of the Authority. The Authority's Board of Directors and Executive Committee administered and established policies for the management of the Authority. Under this agreement, LMA also provided the Authority with support services necessary to carry out the functions of the Authority and its membership. In 2019, a third party was hired to manage the affairs of the Authority. LMA continues to provide support services for the Authority in accordance with the agreement. For the years ended December 31, 2019 and 2018, amounts paid to LMA by the Authority related to this management fee totaled \$157,375 and \$218,442, respectively. The agreement was originally for a five (5) year period ended April 30, 2013 and was amended on July 1, 2019. Under the amendment, the Authority shall pay LMA the amounts of \$130,000 per year, payable in twelve monthly installments, from the gas purchased by the Authority members other than for sale by such members to a Large Volume User, with this amount to be annually reevaluated and adjusted as needed by mutual agreement of both the Authority and LMA. The amended agreement contains no expiration date.

(g) *Estimates*

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

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NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenues

The Authority purchases natural gas for its members and bills them for the cost of the gas plus a fee per unit of natural gas purchased. This fee comprises the Authority's membership dues. Accordingly, receivables from the members and payables to the vendors are generated when gas is delivered into the respective pipelines. The membership dues collected from members are allocated entirely to pay the aforementioned purchase agent and management fees and other operating costs of the Authority.

(i) Operating/Non-Operating Revenue and Expenses

Operating revenues consist of gas sales, membership dues, legal fees billed and late charges assessed as these revenues are generated from the Authority's operations and are needed to carry out its statutory purpose. All expenses incurred for that purpose are classified as operating expenses. Interest income and other revenues and expenses, which are ancillary to the Authority's statutory purpose, are classified as non-operating.

(j) Income Taxes

The Authority is exempt from income taxes under Sections 7701 and 115(1) of the Internal Revenue Code.

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NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS

As of December 31, 2019 and 2018, the Authority had the following deposits and investments:

	2019 Estimated Fair Value	2018 Estimated Fair Value
The Authority:		
Cash and cash equivalents	\$ 623,840	\$ 686,064
Fiduciary Fund Types:		
Cash and cash equivalents invested in LAMP	1,031,498	510,720
Cash and cash equivalents	<u>7,006</u>	<u>507,177</u>
	1,038,504	1,017,897
 TOTAL	 <u>\$ 1,662,344</u>	 <u>\$ 1,703,961</u>

For reporting purposes, cash and cash equivalents include cash on hand, demand deposits, unrestricted money market accounts, and all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value.

There is a balance of \$1,031,498 and \$510,720 included in cash and cash equivalents on the statements of fiduciary assets and liabilities that is invested in the Louisiana Asset Management Pool (LAMP) for the years ended December 31, 2019 and 2018, respectively. LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

The following facts are relevant for LAMP:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 70 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 46 days as of December 31, 2019.

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NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS (continued)

Foreign currency risk: Not applicable.

LAMP values its investments at fair value based on quoted market values. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares which approximates net asset value (NAV).

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and board of directors. LAMP is not registered with the SEC as an investment company.

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

3. PURCHASE COMMITMENTS AND SIGNIFICANT RISK CONCENTRATIONS

The Authority routinely enters into short term gas purchase commitments with various vendors in the ordinary course of business. The purchase commitments usually include the volume of gas to be purchased and the purchase price of these volumes. The Requirements Gas Fund bills its members based on the actual cost of gas incurred. During 2019, the Requirements Gas Fund purchased approximately 96% of its gas purchases from two vendors, which individually comprised purchases of 62% and 34%, respectively. During 2018, the Requirements Gas Fund purchased approximately 85% of its gas purchases from two vendors, which individually comprised purchases of 54% and 31%, respectively.

Management continually monitors the financial condition of the counterparties and believes the counterparties have the ability to meet their obligations under the respective agreements. The inability of any counterparty to perform under their contractual obligations over the duration of the contracts would have significant adverse financial and operational impacts on the Authority.

4. PARTICIPANT REIMBURSEMENT

In accordance with a supply agreement executed by the Authority in 2016, participating members obtain initial discounts of \$0.10 per MMBtu upon monthly purchase of natural gas. Additionally, members may obtain an annual refund from the third party of \$0.03 per MMBtu, if all assumptions underlying the projected amount are realized. Such annual refund, if any, shall be paid to the members as soon as practicable following September 1 of each calendar year or the approval of the third party's annual financial statements by their Board of Directors, whichever is later commencing in 2017. During 2019 and 2018 the Authority discounted gas to the participating members on a monthly basis totaling \$393,210 and \$379,892, respectively.

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NOTES TO BASIC FINANCIAL STATEMENTS

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 16, 2020, and determined that the following disclosure is necessary.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The extent to which the COVID-19 pandemic may impact financial markets and the Authority’s financial condition or results of operations cannot be reasonably estimated at this time.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
THE CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2019

Agency Head: Board President, Mayor Buz Craft

Purpose	
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-

During the year ended December 31, 2019, a third party contractor was utilized; therefore, management decisions default to the Board President.

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

To the Board of Directors
The Louisiana Municipal Natural Gas
Purchasing and Distribution Authority
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority), which comprise the statement of net position as of December 31, 2019, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we 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 our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 16, 2020

**THE LOUISIANA MUNICIPAL NATURAL GAS PURCHASING
AND DISTRIBUTION AUTHORITY**

**REPORT ON STATEWIDE
AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL
AREAS**

FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
The Louisiana Municipal Natural Gas Purchasing and Distribution Authority (LMNGA or the Authority)
Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A, which were agreed to by LMNGA (the Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures we performed and the associated results are summarized in the attached Schedule A, which is an integral part of this report.

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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 16, 2020

**THE LOUISIANA MUNICIPAL NATURAL GAS PURCHASING AND DISTRIBUTION
AUTHORITY
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2019**

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*”. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, “procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity” is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No exceptions noted.

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted for (1), (2), (3) and (5). The Entity does not have a written policy for (4).

- c) ***Disbursements***, including processing, reviewing, and approving

No exceptions noted.

- d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions noted.

- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Not applicable. The Board of Directors contracts with a third party to manage the affairs of the Authority. Under this third party agreement, the Authority is provided a Managing Director and other personnel necessary to carry out the functions of the Authority and its membership. The Authority also has an agreement with Louisiana Municipal Association (LMA) to provide support services to help achieve the day to day business functions.

**THE LOUISIANA MUNICIPAL NATURAL GAS PURCHASING AND DISTRIBUTION
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- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions noted.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Not applicable.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

No exceptions noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No exceptions noted for (4). The Entity does not have a written policy for (1), (2) and (3).

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Entity does not have a written policy for Disaster Recovery/ Business Continuity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

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- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Board of Directors is required to meet a minimum of once per year and the executive committee is required to meet a minimum of six times per year. No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Budget-to-actual comparisons were not noted for the following months: February and March.

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

No exceptions noted.

Bank Reconciliations

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

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

Not applicable.

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

Not applicable.

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

Not applicable.

Collections

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

A listing of deposit sites was provided which included one deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below on the one deposit site.

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

A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of one collection location. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

No exceptions noted.

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

Employee is responsible for collecting cash and preparing deposits. Exception noted.

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

One employee is responsible for collecting cash and posting entries to the general ledger. Exception noted.

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

One employee is responsible for collecting cash and reconciling cash to the general ledger. Exception noted.

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

The Entity stated that all employees who have access to cash are bonded and/or covered under the Entity's insurance policy.

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

We randomly selected two deposit dates for each of the 4 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 8 deposits and performed the procedures below.

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

The Entity does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

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

The Entity does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

The listing of locations that process payments for the fiscal period was provided, which only included one location. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below.

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

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

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

No exceptions noted.

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

No exceptions noted.

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

The person processing payments was not prohibited from adding / modifying vendor files. Exception noted.

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

The employee responsible for processing payments is also responsible for mailing the payments. Exception noted.

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

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

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

No exceptions noted.

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

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

A listing of cards was provided, which stated there were no credit cards during 2019. Therefore, procedures below are not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Not applicable.

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

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

Per review of the general ledger detail, there were no travel expense reimbursements during 2019. Therefore, testing below not applicable.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

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Contracts

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

Payroll and Personnel

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

The Board of Directors contracts with a third party to manage the affairs of the Authority. Under this third party agreement, the Authority is provided a Managing Director and other personnel necessary to carry out the functions of the Authority and its membership. The Authority also has an agreement with Louisiana Municipal Association (LMA) to provide support services to help achieve the day to day business functions.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

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

Not applicable as noted above.

Ethics

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

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

Not applicable as noted above in Step #16.

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

Not applicable as noted above in Step #16.

Debt Service

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

Not applicable.

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

Not applicable.

Other

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

No exceptions noted.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year.



LOUISIANA MUNICIPAL GAS AUTHORITY
P.O. BOX 4327
BATON ROUGE, LA 70821
Ken Drone, LMGA Managing Director
Mayor Glenn Basseaux, LMGA President

June 16, 2020

RESPONSE TO EXCEPTIONS IN 2019 STATEWIDE AUP REPORT:

In our 2018 Statewide AUP Response we indicated that we would focus on finalizing the adoption of the policies and procedures for LMGA. On December 4, 2019, the LMGA Board of Directors formally adopted the policies and procedures handbook. For item number 1 (k) in regard to the Disaster Recovery/Business Continuity plan, we will be revising our policies and procedures handbook to adopt this policy by our board before the end of the 2020 fiscal year.

Sincerely,

Ken Drone
LMGA Managing Director