

**WASHINGTON PARISH GAS
UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Annual Financial Statements

December 31, 2018 and 2017



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Independent Auditor's Report

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Franklinton, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of Washington Parish Gas Utility District No. 2 (the District), a component unit of Washington Parish, Louisiana, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 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, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2018 and 2017, and the changes in its 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, beginning on page 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 audits 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 our opinion, the schedule of compensation paid to board of commissioners and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2019, on our consideration of Washington Parish Gas Utility District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
June 15, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Management's Discussion and Analysis

Introduction

Washington Parish Gas Utility District Number 2 (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (hereinafter referred to as GASB 34), as amended, and related standards. Please read the following in conjunction with the District's financial statements and notes, which follow this section.

Financial Highlights

- At December 31, 2018, total assets were \$1,198,464, which exceeded liabilities of \$61,816 resulting in net position of \$1,136,648. Of the total net position, \$581,307 was unrestricted and available to support short-term operations, with \$555,341 invested in capital assets.
- In 2018, the District financed the purchase of billing software with a cost of \$19,031.
- For the year ended December 31, 2018, user fee revenues (gas sales) increased by \$3,956, or 1%, to \$553,864, as compared to \$549,908 for the fiscal year ended December 31, 2017.
- The District's operating expenses, excluding depreciation expense, decreased by \$36,752, to \$395,546, as compared to \$432,298 for the prior fiscal year. Key components of the increase were decreases in employee benefits and taxes of \$10,679, supplies - office of \$15,173, and vehicle expense of \$7,815, partially offset with an increase in professional fees of \$4,535.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Washington Parish Gas Utility District Number 2's financial condition and performance.

The financial statements report information on the District using the full accrual accounting method similar to that used in the private business sector. Financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statement of net position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Management's Discussion and Analysis

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

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

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

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

The statements of net position present the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the District's net position changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows present information showing how the District's cash changed as a result of current-year operations. The statements of cash flows are prepared using the direct method and include the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Management's Discussion and Analysis

Financial Analysis of the District

The purpose of financial analysis is to help determine whether the District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the statements of net position and the statements of revenues, expenses, and changes in net position, is presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District.

**Condensed Statements of Net Position
December 31, 2018 and 2017**

	2018	2017	\$ Change	% Change
Current and Other Assets	\$ 598,084	\$ 493,544	\$ 104,540	21%
Restricted Assets	32,822	32,673	149	0%
Capital Assets, Net	567,558	636,049	(68,491)	-11%
Total Assets	1,198,464	1,162,266	36,198	3%
Long-Term Debt Outstanding	2,505	-	2,505	
Other Liabilities	59,311	40,906	18,405	45%
Total Liabilities	61,816	40,906	20,910	51%
Net Position				
Net Investment in Capital Assets	555,341	636,049	(80,708)	-13%
Restricted for Debt Service and Meter Deposits	-	3,093	(3,093)	-100%
Unrestricted	581,307	482,218	99,089	21%
Total Net Position	\$ 1,136,648	\$ 1,121,360	15,288	1%

Current and other assets increased by \$36,198.

Capital assets decreased by \$68,491, primarily related to depreciation expense incurred of \$87,522 offset by purchases in the current year of \$19,031.

The major component of change for total liabilities is due to purchase of software which was financed with a note payable.

Total net position increased \$15,288 for the fiscal year ended December 31, 2018, primarily because of the changes noted in the following section.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Management's Discussion and Analysis

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017**

	2018	2017	\$ Change	% Change
Revenues				
Operating Revenues	\$ 554,447	\$ 578,462	\$ (24,015)	-4%
Nonoperating Revenues	355	9,229	(8,874)	-96%
Total Revenues	554,802	587,691	(32,889)	-6%
Expenses				
Cost of Gas Sold	55,669	47,238	8,431	18%
Depreciation Expense	87,522	92,272	(4,750)	-5%
Other Operating Expense	395,546	432,298	(36,752)	-9%
Nonoperating Expense	777	4,933	(4,156)	-84%
Total Expenses	539,514	576,741	(37,227)	-6%
Change in Net Position	15,288	10,950	4,338	40%
Beginning Net Position	1,121,360	1,110,410	10,950	1%
Ending Net Position	\$ 1,136,648	\$ 1,121,360	\$ 15,288	1%

The above table shows an increase in net position of \$15,288 for the fiscal year ended December 31, 2018.

Total operating revenues (including gas sales and revenues related to providing gas and related services to customers) decreased by \$24,015, or 4%.

Nonoperating revenues decreased by \$8,874. This was primarily due to a gain on disposal of fixed assets in 2017.

Total expenses decreased by \$37,227 from prior-year expenses. Most notable is the decrease in other operating expense of \$36,752.

Nonoperating expenses decreased by \$4,715 due to a decrease in interest expense.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Management's Discussion and Analysis

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

	Year Ended December 31, 2018		Year Ended December 31, 2017		Increase (Decrease) in Percent
		%		%	
Accounts Receivable					
Current	\$ 57,398	49%	\$ 75,165	59%	-11%
31-60 Days Past Due	9,356	8%	10,635	8%	0%
61-90 Days Past Due	3,199	3%	3,482	3%	0%
Over 90 Days Past Due	48,181	40%	37,275	29%	11%
Subtotal	<u>118,134</u>		<u>126,557</u>		
Allowance for Uncollectible Accounts	<u>(48,180)</u>		<u>(36,905)</u>		
Net Accounts Receivable	<u>69,954</u>		<u>89,652</u>		
Other Receivables					
Unbilled Gas Revenue	2,556		3,451		
Other	<u>1,909</u>		<u>1,330</u>		
Total Other Receivables	<u>4,465</u>		<u>4,781</u>		
Total Receivables, Net	<u>\$ 74,419</u>		<u>\$ 94,433</u>		

Total net receivables for gas service decreased by \$20,014. Bad debt expense of \$11,275 was recorded for the current fiscal year-end. The allowance for uncollectible accounts was adjusted to \$48,180. The increase was primarily due to the increase in accounts that are over 90 days old.

Capital Assets

At December 31, 2018, Washington Parish Gas Utility District No. 2 had \$567,558 (net of accumulated depreciation) recorded in capital assets. This includes gas line systems and improvements, investment in gas meters, storage, and other equipment, such as office equipment, and maintenance equipment used to operate the gas system. The changes in capital assets are presented in the table below:

	December 31, 2018	December 31, 2017	\$ Change	% Change
Capital Assets				
Utility System	\$ 2,213,772	\$ 2,213,772	\$ -	0.0%
Equipment	286,360	267,329	19,031	7.1%
Buildings	15,001	15,001	-	0.0%
Meters	12,440	12,440	-	0.0%
Subtotal	<u>2,527,573</u>	<u>2,508,542</u>	<u>19,031</u>	<u>0.8%</u>
Less: Accumulated Depreciation	<u>(1,960,016)</u>	<u>(1,872,493)</u>	<u>(87,523)</u>	<u>4.7%</u>
Net Capital Assets	<u>\$ 567,557</u>	<u>\$ 636,049</u>	<u>\$ (68,492)</u>	<u>-10.8%</u>

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Management's Discussion and Analysis

Net capital assets decreased by \$68,491, primarily related to depreciation expense incurred of \$87,522, offset by purchases in the current year. The purchase of capital assets included software of \$19,031.

Long-Term Debt Obligations

During the fiscal year ended in December 31, 2017, the District paid the outstanding principal balance of the revenue bond. During the year ended December 31, 2018, the District financed the purchase of billing software with a note payable. The balance at December 31, 2018 was \$12,217.

Future Economic Plans

The Washington Parish Gas Utility District No. 2's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects in relation to the revenue the expansion will generate. The District is continuing to replace the old meters, which will reduce the gas loss. The Board reviews accounts receivable on a monthly basis in an effort to reduce delinquent accounts and continues to search for ways to increase the number of customers they serve.

Requests for Information

This financial report is designed to provide a general overview of Washington Parish Gas Utility District No. 2's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 201 11th Avenue, Suite 2, Franklinton, Louisiana 70438. The phone number for the District is 985-839-5026.

BASIC FINANCIAL STATEMENTS

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statements of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 452,743	\$ 335,725
Receivables, Net	74,419	94,433
Due from Other Governments	-	5,056
Inventory	57,072	37,390
Prepaid Insurance	13,850	20,940
Total Current Assets	598,084	493,544
Restricted Assets		
Restricted Cash and Cash Equivalents	32,822	32,673
Total Restricted Assets	32,822	32,673
Property, Plant, and Equipment		
Property, Plant, and Equipment, Net	567,558	636,049
Total Property, Plant, and Equipment	567,558	636,049
Total Assets	1,198,464	1,162,266

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statements of Net Position (Continued)
December 31, 2018 and 2017

	2018	2017
Liabilities		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	10,006	5,130
Other Accrued Payables	6,463	6,196
Note Payable - Current Portion	9,712	-
Total Current Liabilities (Payable from Current Assets)	<u>26,181</u>	<u>11,326</u>
Current Liabilities (Payable from Restricted Assets)		
Customer Deposits	33,130	29,580
Total Current Liabilities (Payable from Restricted Assets)	<u>33,130</u>	<u>29,580</u>
Long-Term Liabilities		
Note Payable, Less Current Portion	2,505	-
Total Long-Term Liabilities	<u>2,505</u>	<u>-</u>
Total Liabilities	<u>61,816</u>	<u>40,906</u>
Net Position		
Net Investment in Capital Assets	555,341	636,049
Restricted for:		
Meter Deposits	-	3,093
Unrestricted	581,307	482,218
Total Net Position	<u>\$ 1,136,648</u>	<u>\$ 1,121,360</u>

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue		
Gas Sales	\$ 553,864	\$ 549,908
Less Cost of Gas Sold	(55,669)	(47,238)
Gross Profit on Gas Sales	498,195	502,670
Other Revenue	583	28,554
Total Operating Revenue	498,778	531,224
Operating Expenses		
Salaries and Wages	179,816	177,001
Depreciation	87,522	92,272
Employee Benefits and Payroll Taxes	47,027	57,706
Insurance	43,170	43,578
Professional Fees	20,755	16,220
Supplies - Office	18,434	33,607
Vehicle Expense	17,338	25,153
Other	16,467	18,930
Compliance Expense	12,641	11,732
Repairs and Maintenance	12,422	19,798
Bad Debt Expense	11,275	11,863
Telephone	8,034	7,216
Director's Expense	8,000	8,200
Storage	85	1,037
Leak Survey	82	257
Total Operating Expenses	483,068	524,570
Net Operating Income	15,710	6,654
Nonoperating Revenue (Expense)		
Gain on Disposal of Capital Assets	-	9,063
Interest Income	355	166
Interest Expense	(777)	(4,933)
Total Nonoperating Revenue (Expense)	(422)	4,296
Change in Net Position	15,288	10,950
Net Position, Beginning of Year	1,121,360	1,110,410
Net Position, End of Year	\$ 1,136,648	\$ 1,121,360

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Received from Customers	\$ 573,878	\$ 545,797
Received (Paid) for Meter Deposit Fees, Net	3,550	(11,863)
Other Receipts	5,639	23,498
Payments for Operations	(232,088)	(254,572)
Payments to Employees	(226,576)	(235,761)
Net Cash Provided by Operating Activities	124,403	67,099
Cash Flows from Capital and Related Financing Activities		
Payments for Capital Acquisitions	-	(68,304)
Proceeds from Disposal of Assets	-	9,820
Principal Repayments on Long-Term Debt	(6,814)	(140,888)
Interest Payments on Long-Term Debt	(777)	(4,933)
Net Cash Used in Capital and Related Financing Activities	(7,591)	(204,305)
Cash Flows from Investing Activities		
Interest Received	355	166
Net Cash Provided by Investing Activities	355	166
Net Increase (Decrease) in Cash and Cash Equivalents	117,167	(137,040)
Cash and Cash Equivalents, Beginning of Year	368,398	505,438
Cash and Cash Equivalents, End of Year	\$ 485,565	\$ 368,398
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and Cash Equivalents, Unrestricted	\$ 452,743	\$ 335,725
Cash and Cash Equivalents, Restricted	32,822	32,673
Total Cash and Cash Equivalents	\$ 485,565	\$ 368,398
Supplemental Disclosures of Cash Flow Information		
Software Financed with Long-Term Debt	\$ 19,031	\$ -
Cash Paid for Interest	777	5,134
	\$ 19,808	\$ 5,134

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Net Operating Income to Net Cash		
Provided by Operating Activities		
Net Operating Income	\$ 15,710	\$ 6,654
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	87,522	92,272
Bad Debt Expense	12,422	-
(Increase) Decrease in:		
Accounts Receivable	7,592	(10,268)
Due from Other Governments	5,056	(5,056)
Inventory	(19,682)	6,157
Prepaid Insurance	7,090	(5,304)
Increase (Decrease) in:		
Accounts Payable	4,876	(4,439)
Other Accrued Payables	267	(1,054)
Customer Deposits	3,550	(11,863)
	<u>\$ 124,403</u>	<u>\$ 67,099</u>

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

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Introduction

Washington Parish Gas Utility District No. 2 (the District) was created by the Washington Parish Council on July 7, 1972, under provisions authorized by Louisiana Revised Statute (LRS) 33:430. The purpose of the District is to build and maintain a natural gas distribution system for the rural area in the western part of Washington Parish. The system serves approximately 648 active customers over distribution lines of 165 miles.

The accounting and reporting policies of the District are the responsibility of a five-member board appointed by the Washington Parish Council. These accounting and reporting policies conform to generally accepted accounting principles as applicable to enterprise funds of a governmental entity. Such accounting and reporting procedures also conform to the guides set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, *Audits of State and Local Governmental Units*.

Governmental Accounting Standards Board (GASB) Statement No. 14, as amended, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of the Washington Parish Council. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within those financial statements or separately reported as a discrete component unit. Under provisions of this Statement, there are no component units of the District.

Note 1. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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

These financial statements are presented in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These Statements established standards for financial reporting, with presentation requirements including a statement of net position (or balance sheet), a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that requires capital contributions to the District be presented as a change in net position.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting and Financial Statement Presentation (Continued)

GASB 63, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows or resources, and net position in a statement of financial position and related disclosures. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement No. 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in GASB 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As required by the GASB, the District implemented GASB 63 during the year ended December 31, 2012. The District did not have any deferred outflows of resources or deferred inflows of resources at December 31, 2018 or 2017.

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities associated with the operation of this fund are included on the statements of net position. The statements of revenues, expenses, and changes in net position include all costs of providing goods and services during the period.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting and Financial Statement Presentation (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are gas revenue, recurring customer user charges for the services provided by the Enterprise Fund. Re-connect and installation fees are recorded in the month service is rendered and collected. Operating expenses for the Enterprise Fund include the cost of gas sold and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents and Investments

Cash includes unrestricted amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and investments in bank certificates with original maturities of 90 days or less.

Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Investments

Investments are limited by LRS 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost.
- There is no involuntary participation in an external investment pool.

The District did not have any investments at December 31, 2018 or 2017.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Inventory

The District purchases its estimated monthly gas allotment based on historical analysis. By agreement with El Paso Energy Co., the District is allowed to store any surplus gas in the El Paso Energy Co.'s facilities. Inventories of gas are valued at lower of cost or market and are expensed using the first-in, first-out method.

Inventories of gas line supplies are valued at lower of cost or market and are expensed using the first-in, first-out method.

Prepaid Insurance

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

Restricted Assets

Customer deposits are included as restricted assets and are offset by corresponding restricted liabilities. Money received for utility deposits paid by new customers is held at various banks in Franklinton, Louisiana. The District holds meter deposits until a customer becomes inactive. The meter deposit is then applied to the accounts receivable balance due and any remainder is refunded to the customer. Current meter deposits are \$150 for renters and \$100 for owners.

Certain proceeds of the Enterprise Fund Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. The revenue bond reserve account and contingency account were established as part of the \$758,000 Gas Utility Revenue Bond Series 1998 Indenture. The bond reserve account is an account (bank time or savings account) where funds are accumulated (\$253 per month) and held in reserve for payment of bonds and interest when the necessary funds would not be available from operating funds. The maximum amount for the reserve account is one year's payments of interest and principal (\$60,680). The contingency account is an account (bank time or savings account) where funds are accumulated (\$375 per month) to pay for any emergency repairs or other contingencies that may arise. There is no maximum balance established for this account. Accumulation of these funds commenced upon completion and acceptance of the new distribution line (September 2001). During the year ended December 31, 2017, the District retired the remaining obligation on the revenue bonds.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

Description	Estimated Useful Lives
Buildings	5 - 20 Years
Equipment	5 - 10 Years
Meters	5 - 20 Years
Utility System	15 - 40 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Compensated Absences

The District has the following policy related to vacation and sick leave:

During the initial year of employment and after an employee's initial three months of employment, all employees of the District earn 1 day per month of vacation until the end of the calendar year. After the initial year of employment, all employees of the District earn vacation based on the following schedule:

Years of Employment	Vacation Earned
1 - 10 Years	2 Weeks
10 - 15 Years	3 Weeks
15 - 20 Years	4 Weeks
20+ Years	5 Weeks

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Vacation leave must be taken during the year earned. However, upon termination or retirement, employees are paid for any unused vacation leave earned during the current year. All employees earn one half day of sick leave each month during the year. A total of ten days of sick leave can be accumulated. All accumulated sick leave lapses upon termination. There were no accumulated or vested leave benefits reported by the District in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, as of December 31, 2018 or 2017.

Long-Term Debt Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

The District has implemented GASB 65, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to complement GASB 63. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The District did not have any bond-related costs in the years ended December 31, 2018 or 2017.

Net Position

GASB 34 requires classification of net position, the difference between the District's assets and liabilities, into three components. GASB 63 revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming the measure as net position, rather than net assets.

In accordance with GASB 34, as amended by GASB 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- a. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

- b. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position is reported in this category.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will be effective for the District for the fiscal year ending December 31, 2020.

Note 2. Cash and Cash Equivalents

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

	2018	2017
Cash on Hand	\$ 200	\$ 200
Demand Deposits	369,571	244,059
Time and Savings Accounts	115,794	124,139
Total	\$ 485,565	\$ 368,398

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. Under state law, deposits 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.

The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2018, the District had \$486,750 in deposits (collected bank balances) consisting of \$338,134 in demand deposits and \$148,616 in time and savings accounts. At December 31, 2018, \$71,815 was susceptible to custodial credit risk. However, deposits were secured by a Federal Home Loan Bank letter of credit.

At December 31, 2017 the District had \$368,738 in deposits (collected bank balances) consisting of \$211,926 in demand deposits and \$156,812 in time and savings accounts. None of the deposits were exposed to custodial credit risk as all deposits were covered by the FDIC.

Note 3. Investments

Investments are categorized into these three categories of credit risk:

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

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

There were no investments held at December 31, 2018 or 2017.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 4. Receivables

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

	Year Ended December 31, Year Ended 2018		Year Ended December 31, Year Ended 2017		Increase (Decrease) Increase in Percent
		%		%	
Accounts Receivable					
Current	\$ 57,398	1794%	\$ 75,165	2159%	-364%
31-60 Days Past Due	9,356	292%	10,635	305%	-13%
61-90 Days Past Due	3,199	100%	3,482	100%	0%
Over 90 Days Past Due	48,181	1506%	37,275	1070%	436%
Subtotal	118,134		126,557		
Allowance for Uncollectible Accounts	(48,180)		(36,905)		
Net Accounts Receivable	69,954		89,652		
Other Receivables					
Unbilled Gas Revenue	2,556		3,451		
Other	1,909		1,330		
Total Other Receivables	4,465		4,781		
Total Receivables, Net	\$ 74,419		\$ 94,433		

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the Board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are normally written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. Bad debt expense of \$11,275 was recorded for the current fiscal year and the allowance for uncollectible accounts was adjusted to \$48,180.

Unbilled revenues (accrued billings) consist of gas consumed between the final meter reading date in the last billing cycle of the year and not billed to the customers until the next month in the subsequent fiscal period. At December 31, 2018 and 2017, accrued billings amounts were \$2,556 and \$3,451, respectively.

Note 5. Restricted Assets

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

	2018	2017
Customer Deposits	\$ 32,822	\$ 32,673

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 6. Capital Assets

A summary of changes in capital assets during the fiscal years ended December 31, 2018 and 2017, is as follows:

December 31, 2018	Beginning Balance 12/31/17	Increases	Decreases	Ending Balance 12/31/18
Capital Assets				
Buildings	\$ 15,001	\$ -	\$ -	\$ 15,001
Equipment	267,329	19,031	-	286,360
Meters	12,440	-	-	12,440
Utility System	2,213,772	-	-	2,213,772
Total Capital Assets	2,508,542	19,031	-	2,527,573
Less Accumulated Depreciation for:				
Buildings	(14,247)	(166)	-	(14,413)
Equipment	(185,322)	(19,801)	-	(205,123)
Meters	(12,418)	(12,418)	-	(24,836)
Utility System	(1,660,506)	(55,137)	-	(1,715,643)
Total Accumulated Depreciation	(1,872,493)	(87,522)	-	(1,960,015)
Total Capital Assets, Net	\$ 636,049	\$ (68,491)	\$ -	\$ 567,558
December 31, 2017	Beginning Balance 12/31/16	Increases	Decreases	Ending Balance 12/31/17
Capital Assets				
Buildings	\$ 15,001	\$ -	\$ -	\$ 15,001
Equipment	243,040	44,289	(20,000)	267,329
Meters	12,440	-	-	12,440
Utility System	2,189,757	24,015	-	2,213,772
Total Capital Assets	2,460,238	68,304	(20,000)	2,508,542
Less Accumulated Depreciation for:				
Buildings	(14,081)	(166)	-	(14,247)
Equipment	(168,027)	(36,538)	19,243	(185,322)
Meters	(12,418)	-	-	(12,418)
Utility System	(1,604,938)	(55,568)	-	(1,660,506)
Total Accumulated Depreciation	(1,799,464)	(92,272)	19,243	(1,872,493)
Total Capital Assets, Net	\$ 660,774	\$ (23,968)	\$ (757)	\$ 636,049

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense totaling \$87,522 and \$92,272 was computed on a straight-line basis for financial statement purposes for the years ended 2018 and 2017, respectively. The purchase of capital assets during 2018 included the purchase of billing software of \$19,031 and for 2017 included boring costs of \$24,015.

Note 7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the years ended December 31, 2018 and 2017:

December 31, 2018	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt Note Payable	\$ -	19,031	(6,814)	12,217	\$ 9,712
Total Long-Term Debt	\$ -	19,031	(6,814)	12,217	\$ 9,712

December 31, 2017	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt Gas Utility Revenue Bond Series 1998	\$ 140,888	\$ -	\$ (140,888)	\$ -	\$ -
Total Long-Term Debt	\$ 140,888	\$ -	\$ (140,888)	\$ -	\$ -

Future principal payments consist of the following:

Year Ending December 31,	Amount
2019	\$ 9,712
2020	<u>2,505</u>
Total	<u>\$ 12,217</u>

The note payable is due March 2020 with monthly payments of \$643 with interest of 6%.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 8. Restricted Net Position

At December 31, 2017, the District had \$3,093 in restricted net position. Restricted net position (restricted for capital activity and debt service) represents the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects, less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

Note 9. Pension Plan

The District adopted a Simple IRA retirement plan on April 4, 2005. The prototype plan provides for participating employees to defer through payroll withholding up to \$11,500 per year. The District agreed to match employee withholdings, up to three percent of each participating employee's wages. Contributions are made each month following the month withholdings are collected. Total pension fund expense was \$912 and \$2,957, for the fiscal years ended December 31, 2018 and 2017, respectively.

Note 10. Litigation and Claims

As of December 31, 2018 and 2017, the District was not involved in any litigation or claims.

Note 11. Facilities

The District's office is located in a building leased by the Washington Parish Council. The Council pays the rent and utilities on the building (office space approximately 800 square feet). The Council pays certain operating expenditures of the District. These expenditures are not reflected in the accompanying financial statements.

The District and the Washington Parish Council signed an intergovernmental cooperative agreement concerning the use of Parish Council property for an equipment yard and space for the storage shed. The term of this agreement was for the period June 1, 2002 through May 31, 2003. The term was extended on a month-to-month basis after May 31, 2003, with either party having the right to cancel the agreement by giving 60 days written notice to the other party. The District constructed a fence around the property and placed a portable storage building on the property. The District has the right to remove any improvements made to the property within 30 days after the effective date of cancellation.

OTHER SUPPLEMENTARY INFORMATION

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Schedule 1

**Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2018**

The Board of Commissioners of the District consists of five members appointed by the Washington Parish Council. The following schedule of compensation paid to board of commissioners is presented in compliance with House Concurrent Resolution Number 54 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of LRS 33:4305.B.[1].

Name and Title Contact Number	Address	Compensation Received	Term Expiration
Robert Paul Givens, Chairman (985) 839-4127	23010 Highway 450 Franklinton, LA 70438	\$ 2,200	12/31/2022
Don Wheat (985) 515-6939	56475 Leonard Seals Road Angie, LA 70426	1,500	12/31/2020
Joseph Felder (985) 966-0858	23642 Highway 25 Franklinton, LA 70438	1,300	12/31/2020
Dock Dyson, Jr. (985) 848-2476	56151 B.B. McKenzie Road Franklinton, LA 70438	1,600	12/31/2023
Dennis Warren (985) 839-6360	47168 Jenkins Road Franklinton, LA 70438	<u>1,400</u>	12/31/2020
		<u>\$ 8,000</u>	

See independent auditor's report.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Compensation, Benefits, and other Payments
to Agency Head
For the Year Ended December 31, 2018

Schedule 2

Agency Head
John Rochester III, Gas Superintendent

Purpose	Amount
Salary	\$52,544
Benefits - Insurance	\$0
Benefits - Retirement	\$869
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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 Board of Commissioners
Washington Parish Gas Utility District No. 2
Franklinton, Louisiana

We 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 accompanying financial statements of Washington Parish Gas Utility District No. 2 (the District), a component unit of Washington Parish, Louisiana, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 15, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 over financial reporting 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 District's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Responses to Findings

Washington Parish Gas Utility District No. 2's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 15, 2019

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--------------------------------------------------------------------------------|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements? | No |
| d. Other Matters identified? | Yes |
| 3. Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

Part III - Compliance and Other Matters

Compliance

None.

Other Matter

2018-001 Utility Rates Different than Approved Rates for Months of June and July 2018

- Criteria:* The Board approves gas utility rates at its monthly meeting.
- Condition:* The District's Board approves increases/decreases in rates monthly in response to natural gas market conditions. We noted that rates approved in the prior board meeting and the rates billed in June and July differed.
- Cause:* Oversight by management.
- Effect:* Rates billed were different than approved rates.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

Recommendation: The District should use the gas utility rates approved at the board meeting.

Management's
Response: This was an oversight by management which was corrected in August.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2018

2017-001 Utility Rates Different than Approved Rate for Month of March 2017

This finding has not been resolved. See other matter in schedule of schedule of findings and responses.

AGREED-UPON PROCEDURES REPORT

Washington Parish Gas Utility District No. 2

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of January 1, 2018 - December 31, 2018

To the Board of Commissioners of
Washington Parish Gas Utility District No. 2
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below which were agreed to by the Washington Parish Gas Utility District No. 2 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts***, including receiving, recording, and preparing deposits.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: We reviewed the District's personnel and policy procedures manual. We noted that policies and procedures addressed payroll/personnel items with the exception of payroll processing. We noted that the manual does not address items a, b, c, d, f, g, h, i, and j.

Bank Reconciliations

2. 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 four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - 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
 - 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.

Results: For the accounts selected, all monthly bank reconciliations were prepared within two months of month of the statement. Bank reconciliations are reviewed by the Board. The District contracts with a local CPA who prepares the bank reconciliations. We noted 6 outstanding items older than 12 months that totaled \$1,147. No documentation was maintained reflecting that the management had researched those items.

Non-Payroll Disbursements - excluding credit card/debit card/fuel card/P-Card purchases or payments)

3. 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).

Results: No exceptions were noted as a result of performing these procedures.

4. For each location selected under #3 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.

Results: No exceptions were noted as a result of performing these procedures.

5. For each location selected under #3 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) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #4, as applicable.

Results: No exceptions were noted as a result of performing these procedures.

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

6. 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.

Results: No exceptions were noted as a result of performing these procedures.

7. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were noted as a result of performing these procedures.

8. Using the monthly statements or combined statements selected under #6 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).

Results: Of 12 items tested, we noted that 5 items did not have supporting documentation, 2 of which were purchases of postage, and 8 of the items tested did not have written documentation of the business/public use. Of 12 items tested, 1 item was a charge for a meal, and it did not have documentation of the individuals participating in meals.

Payroll and Personnel

9. 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.

Results: No exceptions were noted as a result of performing this procedure.

10. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #9 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

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

Results: No exceptions were noted as a result of performing this procedure.

- 11. 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.

Results: Management indicated that there were no terminations during 2018.

- 12. 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.

Results: We obtained management's representation that the 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.

Ethics

- 13. Using the 5 randomly selected employees/officials from procedure #9 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.

Results: There was no evidence that any of those selected for testing had taken the ethics training course.

- 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.

Results: The District does not require employees to annually signature verify that they have read the ethics policy.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform 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 results 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
June 17, 2019

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RE: Statewide Agreed-upon Procedures

The management of the Washington Parish Gas Utility District No. 2 wishes to provide the following responses relative to the results of the statewide agreed-upon procedures engagement:

- 1) The District will adopt policies and procedures which include each of the required elements.
- 2) The District will investigate outstanding items and will submit them to the Louisiana Secretary of Treasurer's unclaimed property division.
- 8) Management will improve its review of debit card transactions and ensure that itemized documentation is obtained for each transaction and that the business/public purpose is documented.
- 20) The District required all employees to take the training in 2019. Management will institute the procedure requiring employees to signature that they have read the ethics policy on an annual basis,

Sincerely,



Melissa Haley
Gas Superintendent