

**GAS UTILITY DISTRICT NO. 1  
OF LIVINGSTON PARISH**

**A COMPONENT UNIT OF LIVINGSTON  
PARISH COUNCIL**

Financial Report

Year Ended November 30, 2018

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Statement of net position	4
Statement of revenues, expenses, and changes in fund net position	5
Statement of cash flows	6-7
Notes to basic financial statements	8-12
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15
Summary schedule of current and prior year audit findings and management's corrective action plan	16-17

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.  
Lafayette, LA 70508 Baton Rouge, LA 70816  
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.  
Alexandria, LA 71301 New Iberia, LA 70560  
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.  
Abbeville, LA 70510 Morgan City, LA 70380  
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.  
Ville Platte, LA 70586 Oberlin, LA 70855  
Phone (337) 363-2792 Phone (337) 639-4737

\* A Professional Accounting Corporation

## INDEPENDENT AUDITOR'S REPORT

WWW.KCSRPCAS.COM

To the Board of Commissioners  
Gas Utility District No. 1 of Livingston Parish  
Holden, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the Gas Utility District No. 1 of Livingston Parish, a component unit of the Livingston Parish Council, as of and for the year ended November 30, 2018, and the related notes to the financial statements, which collectively comprise of the Gas Utility District No. 1 of Livingston Parish'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District No. 1 of Livingston Parish, as of November 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2019, on our consideration of Gas Utility District No. 1 of Livingston Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Gas Utility District No. 1 of Livingston Parish's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gas Utility District No. 1 of Livingston Parish's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Baton Rouge, Louisiana  
May 17, 2019

## **BASIC FINANCIAL STATEMENTS**

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Statement of Net Position  
November 30, 2018

ASSETS

CURRENT ASSETS

Cash and interest-bearing deposits	\$ 708,860
Accounts receivable (net)	75,073
Unbilled receivables	55,187
Other receivables	4,632
Inventory	5,822
Prepaid expenses	<u>2,300</u>
Total current assets	<u>851,874</u>

NONCURRENT ASSETS

Restricted assets:

Cash and interest-bearing deposits	<u>80,824</u>
------------------------------------	---------------

Capital assets:

Land	975
Utility plant and equipment, net	<u>1,400,773</u>
Total capital assets, net	<u>1,401,748</u>

Other assets:

Utility deposits	<u>838</u>
------------------	------------

Total noncurrent assets	<u>1,483,410</u>
-------------------------	------------------

Total assets	<u>2,335,284</u>
--------------	------------------

LIABILITIES

CURRENT LIABILITIES

Accounts payable	29,525
Accrued liabilities	<u>2,474</u>
Total current liabilities	31,999

CURRENT LIABILITIES (payable from restricted assets)

Customers' deposits	<u>80,824</u>
---------------------	---------------

Total liabilities	<u>112,823</u>
-------------------	----------------

NET POSITION

Net investment in capital assets	1,401,748
Unrestricted	<u>820,713</u>
Total net position	<u>\$ 2,222,461</u>

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

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended November 30, 2018

Operating revenues:	
Gas sales	\$ 941,639
Other charges	<u>33,410</u>
Total operating revenues	<u>975,049</u>
Operating expenses:	
Administrative expenses	7,104
Bank service charges	5,698
Bad debts	(292)
Commissioners compensation	31,626
Depreciation	47,248
Insurance	4,004
Management fees	98,668
Natural gas purchases	292,835
Professional services	75,018
Repairs, maintenance, supplies	347,277
Utilities	<u>5,357</u>
Total operating expenses	<u>914,543</u>
Operating income	60,506
Nonoperating revenues (expenses):	
Interest income	<u>5,248</u>
Change in net position	65,754
Net position, beginning	<u>2,156,707</u>
Net position, ending	<u>\$ 2,222,461</u>

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

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Statement of Cash Flows  
For the Year Ended November 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 908,412
Payments to suppliers for goods and services	(833,437)
Payments to employees and for employee related costs	<u>(31,829)</u>
Net cash provided by operating activities	<u>43,146</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in customer deposits	<u>775</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property, plant, and equipment	<u>(99,258)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of interest-bearing deposits	(305,509)
Maturities of interest-bearing deposits	713,810
Interest received	<u>5,248</u>
Net cash provided by investing activities	<u>413,549</u>
Net increase in cash and cash equivalents	358,212
Cash and cash equivalents, beginning of the year	<u>125,963</u>
Cash and cash equivalents, end of the year	<u>\$ 484,175</u>

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Statement of Cash Flows (Continued)  
For the Year Ended November 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 60,506
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	47,248
Bad debts	(292)
Change in assets and liabilities:	
Accounts receivable	(35,327)
Unbilled receivables	(26,670)
Other receivables	6,474
Prepaid expenses	(296)
Accounts payable	(8,286)
Accrued liabilities	(211)
Net cash provided by operating activities	<u>\$ 43,146</u>
Cash and cash equivalents, beginning of period	
Cash - unrestricted	\$ 45,914
Cash - restricted	80,049
Interest-bearing deposits - unrestricted	713,810
Less: Interest-bearing deposits with a maturity over three months	<u>(713,810)</u>
Total	<u>125,963</u>
Cash and cash equivalents, end of period	
Cash - unrestricted	15,385
Cash - restricted	80,824
Interest-bearing deposits - unrestricted	693,475
Less: Interest-bearing deposits with a maturity over three months	<u>(305,509)</u>
Total	<u>484,175</u>
Net increase	<u>\$ 358,212</u>

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

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Notes to the Basic Financial Statements

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Gas Utility District No. 1 of Livingston Parish (the "District") was created November 10, 1961, by the Livingston Parish Council, under Act 415 of the Acts of Louisiana for 1960 (Sec. 4301, et seq. of Title 33, LA Revised Statutes). The District operates under a Board of Commissioners appointed by the Livingston Parish Council.

The District, reported in these statements as a proprietary fund, prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB). The accompanying statements present only transactions of the District, a component unit of Livingston Parish Council.

B. Basis of Accounting

The District maintains its books and records of the full accrual basis of accounting and on the flow of economic resources measurement focus. The District applies all applicable professional standards in accounting and reporting for its proprietary operations.

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 operating revenues of the District are natural gas sales to residential and commercial users. Operating expenses for the District include the cost to distribute natural gas, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In some instances, GASB requires an entity to delay recognition of decreases in net position as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three components as follows:

1. Net investment in capital assets – This component consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
2. Restricted net position – This component is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Notes to the Basic Financial Statements (Continued)

3. Unrestricted net position – This component consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District’s policy is to first apply the expense toward restricted resources, then toward unrestricted resources.

C. Cash Flows

For purposes of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

D. Restricted Assets

Restricted assets include cash and interest-bearing deposits that are legally restricted as to their use. The restricted assets relate to the customer deposits.

E. Accounts Receivable and Bad Debts

Accounts receivable represent amounts owed to the District from customer gas usage. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the collectability of the particular receivable. The allowance for uncollectible receivables was \$3,704 at November 30, 2018. Unbilled utility service receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

F. Inventory

The District maintains an inventory of natural gas. The inventory is recorded at lower of cost or market on average costs basis. As of November 30, 2018, inventory on hand totaled \$5,822.

G. Capital Assets

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Gas plant system	10 - 40
Equipment and meters	7 - 10

H. Prepaid Expenses

The District accounts for prepaid expenses using the consumption method. A prepaid expense is recognized when a cash expenditure is made for goods or services that were purchased for consumption but are unconsumed as of the end of the fiscal year.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Notes to the Basic Financial Statements (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.

(2) Cash and Interest-Bearing Deposits

Under state law the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At November 30, 2018, the District had cash and interest-bearing deposits (book balances) totaling \$789,684 as follows:

Demand deposits	\$ 484,175
Certificates of deposit	<u>305,509</u>
Total	<u>\$ 789,684</u>

Custodial credit risk is the risk that in the event of a bank failure of a depository financial institution, the District's deposits may not be recovered. These deposits are stated at cost, which approximates fair value. 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 bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Deposit balances (bank balances) at November 30, 2018, are secured as follows:

Bank balances	<u>\$ 718,922</u>
Federal deposit insurance	370,360
Pledged securities	<u>348,562</u>
Total federal deposit insurance and pledged securities	<u>\$ 718,922</u>

Deposits in the amount of \$348,562 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name. The District does not have a policy for custodial credit risk.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Notes to the Basic Financial Statements (Continued)

(3) Capital Assets

Capital asset activity for the year ended November 30, 2018 was as follows:

	Balance 12/1/2017	Additions	Deletions	Balance 11/30/2018
Capital assets not being depreciated:				
Land	\$ 975	\$ -	\$ -	\$ 975
Other capital assets:				
Utility plant	2,384,107	99,258	-	2,483,365
Equipment and meters	113,593	-	-	113,593
Totals	2,498,675	99,258	-	2,597,933
Less accumulated depreciation	1,148,937	47,248	-	1,196,185
Capital assets, net	<u>\$ 1,349,738</u>	<u>\$ 52,010</u>	<u>\$ -</u>	<u>\$ 1,401,748</u>

Depreciation expense charged to operations for the year ended November 30, 2018 was \$47,248.

(4) Litigation

There is no litigation pending against the District at November 30, 2018.

(5) Risk Management

The District carries commercial insurance for its only major category of risk which is general liability. There have been no significant reductions in insurance coverage for the current year. Settlement amounts have not exceeded insurance coverage for the current year or prior years.

(6) Major Supplier

The District purchases all of its gas through the Louisiana Municipal Gas Authority (LMGA). A change in suppliers could have a negative impact on the cost and terms currently obtained through the LMGA.

(7) Major Customers

During the year ended November 30, 2018, the District's two largest commercial customers comprised 20.4% and 12.2% of total gas sales.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Notes to the Basic Financial Statements (Continued)

(8) Professional Service Contracts

The District has entered into a maintenance agreement with O & M Management Services, LLC (“Management”) to read meters, bill customers and collect payments on a monthly basis. Management is paid \$9.50 per customer per month to perform these services. During the year, Management received \$98,668 from the District for the performance of these services.

Additionally, Management is paid for customer mail outs, new service taps, disconnects, and performs repairs and improvements to the systems as needed at the rate of \$150 per hour plus materials costs. During the year, O&M Management received \$404,291 from the District for the performance of these services.

(9) Louisiana Deferred Compensation Plan

All of the employees of the District are eligible to participate in the State of Louisiana deferred compensation plan. Employees may contribute up to 100% of their salary (not to exceed \$18,000 a year) to the plan on a pre-tax basis. The contributions are withheld from the employees’ paychecks. The District matches up to 15% of each employee’s compensation. The contributions are fully vested immediately and are remitted to a third-party administrator each month, where they are deposited to an account in the employee’s name. The District does not assume any liability for the funds and does not have any control over the funds once they are remitted to the third-party administrator. The District’s contribution during the year ended November 30, 2018 was \$3,726.

(10) Compensation, Benefits, and Other Payments to the Board of Commissioners

<u>Board Member</u>	<u>Per Diem</u>	<u>Salary</u>	<u>Deferred Compensation</u>	<u>Reimbursed Travel</u>
John Hellmers, Secretary	\$ 3,375	\$ 6,000	\$ 1,406	\$ 156
Frank Murphy, Treasurer	3,450	6,000	1,417	1,427
Johnny Johnson	3,675	-	276	712
Butch Mack	3,675	-	368	585
Gilbert Hutchinson	1,725	-	259	-
	<u>\$ 15,900</u>	<u>\$ 12,000</u>	<u>\$ 3,726</u>	<u>\$ 2,880</u>

\*None of the above individuals are designated as the agency head.

**INTERNAL CONTROL, COMPLIANCE**

**AND**

**OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Phone (225) 293-8300

1428 Metro Dr.  
Alexandria, LA 71301  
Phone (318) 442-4421

450 E. Main St.  
New Iberia, LA 70560  
Phone (337) 367-9204

200 S. Main St.  
Abbeville, LA 70510  
Phone (337) 893-7944

1201 David Dr.  
Morgan City, LA 70380  
Phone (985) 384-2020

434 E. Main St.  
Ville Platte, LA 70586  
Phone (337) 363-2792

332 W. Sixth Ave.  
Oberlin, LA 70655  
Phone (337) 639-4737

WWW.KCSRPCAS.COM

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

\* A Professional Accounting Corporation

To the Board of Commissioners  
Gas Utility District No. 1 of Livingston Parish  
Holden, 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 of Gas Utility District No. 1 of Livingston Parish (District), a component unit of the Livingston Parish Council, as of and for the year ended November 30, 2018, and the related notes to the financial statements, which collectively comprise Gas Utility District No. 1 of Livingston Parish's basic financial statements, and have issued our report thereon dated May 17, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did identify certain deficiencies in internal control, described in the summary schedule of current and prior year audit findings and management's corrective action plan as items 2018-001 and 2018-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The Districts Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's correct action plan. The District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

## **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Baton Rouge, Louisiana  
May 17, 2019

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan

Part I. Current Year Findings and Management's Corrective Action Plan

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2018-001 Inadequate Controls Over Management Services Contract

Fiscal year finding initially occurred: 2017

CONDITION: The District did not have adequate controls to ensure vendor charges for a service contract were in accordance with the contract agreement.

CRITERIA: The terms of the District's service contract should be reviewed carefully to ensure charges are based on the terms of the contract agreement.

CAUSE: The District did not properly review the charges for a service contract to determine if the charges are in accordance with the contract.

EFFECT: The District remitted payments to the vendor that included charges for items that were not in the contract agreement.

RECOMMENDATION: The District should carefully review all items noted in the terms of the service contract and ensure the vendor invoices are in accordance with these terms.

MANAGEMENT'S CORRECTION ACTION PLAN: The District will review its policies and procedures and carefully review vendor invoices to ensure charges are in accordance with contractual agreements and services are received by the District and seek reimbursements of over payments.

2018-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2018

CONDITION: The District did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C Section 315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as the following: Internal control in a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH  
Holden, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)

CAUSE: The District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Inadequate segregation of accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) record keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTION ACTION PLAN: The District's contracted CPA oversees the financial aspects of the entity. Management believes this is an adequate compensating control over their inability to segregate all functions.

Part II. Prior Year Findings

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2017-001 Inadequate Controls Over Management Services Contract

Fiscal year finding initially occurred: 2017

CONDITION: The District did not have adequate controls to ensure vendor charges for a service contract were in accordance with the contract agreement.

RECOMMENDATION: The District should carefully review all items noted in the terms of the service contract and ensure the vendor invoices are in accordance with these terms.

CURRENT STATUS: Unresolved. See finding 2018-001.

2017-002 Monitor Customer Billing Services

CONDITION: The District did not have proper procedures in place to monitor the customer billing services provided by their contractor.

RECOMMENDATION: The District should review their customer billings prepared by their management company to prior to being released to customers.

CURRENT STATUS: Resolved.

**GAS UTILITY DISTRICT NO. 1  
OF LIVINGSTON PARISH**

**A COMPONENT UNIT OF LIVINGSTON  
PARISH COUNCIL**

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

Year Ended November 30, 2018

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.  
Lafayette, LA 70508 Baton Rouge, LA 70816  
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.  
Alexandria, LA 71301 New Iberia, LA 70560  
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.  
Abbeville, LA 70510 Morgan City, LA 70380  
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.  
Ville Platte, LA 70586 Oberlin, LA 70655  
Phone (337) 363-2792 Phone (337) 639-4737

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

To the Board of Members of  
Gas Utility District No. 1 of Livingston Parish  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Gas Utility District No. 1 of Livingston Parish (Entity) 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 December 1, 2017 through November 30, 2018. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### 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
  - 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/Collections**, 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)
  - 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

### ***Board or Finance Committee***

---

- 2. We obtained and inspected 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:
  - a) We observed 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.
  - b) For those entities reporting on the governmental accounting model, we observed 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.*
  - 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.

### ***Bank Reconciliations***

---

- 3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

- b) Bank reconciliations included evidence that a member of management/board member who did not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management had documentation reflecting that it had researched reconciling items that had been outstanding for more than 12 months from the statement closing date, if applicable.

### Collections

**(The following procedures were not performed since there were no exceptions in the prior year.)**

- 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).
- 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) Employees that are responsible for cash collections do not share cash drawers/registers.
  - 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.
  - 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.
  - 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.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 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:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - 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).
  - e) Trace the actual deposit per the bank statement to the general ledger.

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

---

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained 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.
10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
  - a) Observed that the disbursement matched the related original invoice/billing statement.
  - b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

---

**(The following procedures were not performed since there were no exceptions in the prior year.)**

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.
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:
  - 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.
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).

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

---

14. We obtained 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:
- a) If reimbursed using a per diem, we agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### Contracts

---

15. We obtained 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:
- a) We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) We observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment.
  - d) We randomly selected 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.

### Payroll and Personnel

---

**(The following procedures were not performed since there were no exceptions in the prior year.)**

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.
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:

- 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.
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.
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.

### *Ethics*

---

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a. We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. We observed 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.

### *Debt Service*

---

**(The following procedures were not performed since there were no exceptions in the prior year.)**

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.
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.

### *Other*

---

**(The following procedures were not performed since there were no exceptions in the prior year.)**

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.
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.

## Exceptions

---

No exceptions were found as a result of applying the procedures listed above except for the following:

### Written Policies and Procedures:

1. The District does not have written policies and procedures set for budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, travel and expense reimbursements, ethics, and debt service.

*Management's response:* The District will work with their contracted CPA to establish written policies and procedures for budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, travel and expense reimbursements, ethics, and debt service.

### Board or Finance Committee

2. The District's Board meets monthly to discuss the monthly financial statements but does not prepare budget to actual comparisons due to the District not preparing a budget on their major proprietary fund as a best practice.

*Management's Response:* The District will adopt policies and procedures on budgeting and work with their contracted CPA on adopting a budget on their major proprietary fund as a best practice.

### Bank Reconciliations

3. There was no evidence of management's review of bank reconciliations for the two accounts selected for testing.
4. There was no evidence of management researching outstanding items greater than 12 months for 1 of the 2 bank accounts selected for testing.

*Management's response:* The District will incorporate documenting their review of the bank reconciliations every month during the monthly board meetings and incorporate in their policies and procedures documenting the research of all items outstanding greater than 12 months on the bank reconciliations.

### Non-Payroll Disbursements

5. The District does not have at least 2 employees initiating purchase requests, approving purchases and placing an order/making the purchase.
6. The District does not have at least 2 employees involved in processing and approving payments to vendors.
7. The board member responsible for processing payment is also responsible for signing and mailing the vendor checks.
8. Of the 10 disbursements selected for testing, all 10 transactions did not have evidence of the segregation of duties.

**Management's Response:** The District has at least 2 employees initiating purchase requests, approving purchases and placing an order/making the purchase for non-reoccurring monthly purchases, and at least 2 employees involved in processing and approving payments to vendors for non-reoccurring monthly purchases. The District will adopt policies and procedures incorporating the proper segregation of duties for initiating purchase requests, approving purchases, ordering/making the purchases, and mailing of payments for both reoccurring and non-reoccurring monthly purchases, and have at least 2 employees involved in processing and approving payments to vendors for reoccurring monthly purchases.

#### **Travel and Travel Related**

9. Of the 5 travel and travel related reimbursements selected for testing, 1 travel reimbursement used the incorrect mileage rate that did not agree with the U.S. General Service Administration resulting in an overpayment of \$1.64.

**Management's Response:** The District will adequately review the travel and travel related reimbursements to ensure that rates are correct and seek reimbursement for any overpayments.

#### **Ethics**

10. Of the 5 officials selected for testing, 4 officials did not have documentation demonstrating the completion of the on hour of ethics training during the fiscal period.
11. The District does not have documentation that each official attested through signature verification that they read the entities ethics policy during the fiscal period.

**Management's Response:** The District will adopt an ethics policy requiring board members to maintain completion of the required hour of ethics training and requiring board members to attest through signature verification that they read the ethic policy of the District.

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.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Baton Rouge, Louisiana  
May 17, 2019