

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

Annual Financial Statements

December 31, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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 17, 2020, 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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
June 17, 2020

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

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

## Management's Discussion and Analysis

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### Introduction

Washington Parish Gas Utility District No. 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, 2019, total assets were \$1,161,523, which exceeded liabilities of \$48,759 resulting in net position of \$1,125,109. Of the total net position, \$602,128 was unrestricted and available to support short-term operations, with \$522,981 invested in capital assets.
- The District opened two Louisiana Asset Management Pool (LAMP) accounts during the year with a 2% interest rate. The balance as of December 31, 2019 was \$100,009.
- For the year ended December 31, 2019, user fee revenues (gas sales) decreased by \$88,010, or 16%, to \$465,854, as compared to \$553,864 for the fiscal year ended December 31, 2019.
- The District's operating expenses, excluding depreciation expense, increased by \$7,710, to \$403,256, as compared to \$395,546 for the prior fiscal year. Key components of the decrease were decreases in salaries and wages of \$20,273, insurance of \$7,226, and vehicle expense of \$5,201, partially offset by an increase in compliance expense of \$14,421, an increase in line and office supplies of \$18,321, and repairs and maintenance expense of \$6,861.

### 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 No. 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**

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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**

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**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, 2019 and 2018**

	<b>2019</b>	<b>2018</b>	<b>\$ Change</b>	<b>% Change</b>
Current and Other Assets	<b>\$ 602,433</b>	<b>\$ 598,084</b>	<b>\$ 4,349</b>	<b>1%</b>
Restricted Assets	<b>33,403</b>	<b>32,822</b>	<b>581</b>	<b>2%</b>
Capital Assets, Net	<b>525,687</b>	<b>567,558</b>	<b>(41,871)</b>	<b>-7%</b>
<b>Total Assets</b>	<b>1,161,523</b>	<b>1,198,464</b>	<b>(36,941)</b>	<b>-3%</b>
Long-Term Debt Outstanding	<b>2,706.00</b>	<b>2,505</b>	<b>201</b>	
Other Liabilities	<b>46,053</b>	<b>59,311</b>	<b>(13,258)</b>	<b>-22%</b>
<b>Total Liabilities</b>	<b>48,759</b>	<b>61,816</b>	<b>(13,057)</b>	<b>-21%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	<b>522,981</b>	<b>555,341</b>	<b>(32,360)</b>	<b>-6%</b>
Unrestricted	<b>589,783</b>	<b>581,307</b>	<b>8,476</b>	<b>1%</b>
<b>Total Net Position</b>	<b>\$ 1,112,764</b>	<b>\$ 1,136,648</b>	<b>(23,884)</b>	<b>-2%</b>

Current and other assets increased by \$4,349.

Capital assets decreased by \$41,871, primarily related to depreciation expense incurred of \$86,266 and disposals of \$32,290, offset by purchases in the current year of \$50,852.

Total net position decreased by \$23,884 for the fiscal year ended December 31, 2019, 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, 2019 and 2018**

	2019	2018	\$ Change	% Change
<b>Revenues</b>				
Operating Revenues	\$ 437,104	\$ 554,447	\$ (117,343)	-21%
Nonoperating Revenues	29,144	355	28,789	8110%
<b>Total Revenues</b>	<b>466,248</b>	<b>554,802</b>	<b>(88,554)</b>	<b>-16%</b>
<b>Expenses</b>				
Cost of Gas Sold	(42,664)	55,669	(98,333)	-177%
Depreciation Expense	86,266	87,522	(1,256)	-1%
Other Operating Expense	445,920	395,546	50,374	13%
Nonoperating Expense	610	777	(167)	-21%
<b>Total Expenses</b>	<b>490,132</b>	<b>539,514</b>	<b>(49,382)</b>	<b>-9%</b>
<b>Change in Net Position</b>	<b>(23,884)</b>	<b>15,288</b>	<b>(39,172)</b>	<b>-256%</b>
<b>Beginning Net Position</b>	<b>1,136,648</b>	<b>1,121,360</b>	<b>15,288</b>	<b>1%</b>
<b>Ending Net Position</b>	<b>\$ 1,112,764</b>	<b>\$ 1,136,648</b>	<b>\$ (23,884)</b>	<b>-2%</b>

The above table shows a decrease in net position of \$23,884 for the fiscal year ended December 31, 2019.

Total operating revenues (including gas sales and revenues related to providing gas and related services to customers) decreased by \$45,890 or 8%.

Nonoperating revenues increased by \$28,789. This was primarily due to a gain on disposal of fixed assets during the year.

Total expenses decreased by \$19,063 from prior-year expenses. Most notable is the decrease in cost of gas sold of \$13,005.

Nonoperating expenses decreased by \$167 due to a decrease in interest expense.

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

**Management's Discussion and Analysis**

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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, 2019 and 2018:

	Year Ended December 31, 2019	%	Year Ended December 31, 2018	%	Increase (Decrease) in Percent
<b>Accounts Receivable</b>					
Current	\$ 54,412	72%	\$ 57,398	49%	23%
31-60 Days Past Due	7,195	9%	9,356	8%	2%
61-90 Days Past Due	2,421	3%	3,199	3%	0%
Over 90 Days Past Due	11,902	15%	48,181	40%	-25%
Subtotal	<u>75,930</u>		118,134		
Allowance for Uncollectible Accounts	<u>(11,902)</u>		<u>(48,180)</u>		
<b>Net Accounts Receivable</b>	<u><b>64,028</b></u>		<u>69,954</u>		
<b>Other Receivables</b>					
Unbilled Gas Revenue	2,286		2,556		
Other	-		1,909		
<b>Total Other Receivables</b>	<u><b>2,286</b></u>		<u>4,465</u>		
<b>Total Receivables, Net</b>	<u><b>\$ 66,314</b></u>		<u>\$ 74,419</u>		

Total net receivables for gas service decreased by \$8,105. Bad debt expense of \$15,180 was recorded for the current fiscal year-end. The allowance for uncollectible accounts was adjusted down to \$11,902. The decrease was primarily due to the decrease in accounts that are over 90 days old.

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

**Management's Discussion and Analysis**

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**Capital Assets**

At December 31, 2019, Washington Parish Gas Utility District No. 2 had \$525,687 (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:

	<b>December 31, 2019</b>	December 31, 2018	<b>\$ Change</b>	<b>% Change</b>
<b>Capital Assets</b>				
Utility System	<b>\$ 2,213,772</b>	\$ 2,213,772	\$ -	0.0%
Equipment	<b>304,924</b>	286,360	18,564	6.5%
Buildings	<b>15,001</b>	15,001	-	0.0%
Meters	<b>12,440</b>	12,440	-	0.0%
Subtotal	<b>2,546,137</b>	2,527,573	18,564	0.7%
Less: Accumulated Depreciation	<b>(2,020,450)</b>	(1,960,016)	(60,434)	3.1%
<b>Net Capital Assets</b>	<b>\$ 525,687</b>	\$ 567,557	\$ (41,870)	-7.4%

Net capital assets decreased by \$41,870, primarily related to depreciation expense incurred of \$86,266 and disposal of \$32,290 worth of assets, offset by purchases in the current year. The purchase of capital assets included equipment of \$50,852.

**Long-Term Debt Obligations**

During the year ended December 31, 2018, the District financed the purchase of billing software with a note payable. The balance at December 31, 2019 was \$2,706.

**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 11<sup>th</sup> 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, 2019 and 2018

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 382,805	\$ 452,743
Investments	100,009	-
Receivables, Net	66,314	74,419
Inventory	39,588	57,072
Prepaid Insurance	13,717	13,850
<b>Total Current Assets</b>	<b>602,433</b>	<b>598,084</b>
<b>Restricted Assets</b>		
Restricted Cash and Cash Equivalents	33,403	32,822
<b>Total Restricted Assets</b>	<b>33,403</b>	<b>32,822</b>
<b>Property, Plant, and Equipment</b>		
Property, Plant, and Equipment, Net	525,687	567,558
<b>Total Property, Plant, and Equipment</b>	<b>525,687</b>	<b>567,558</b>
<b>Total Assets</b>	<b>1,161,523</b>	<b>1,198,464</b>

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, 2019 and 2018

	2019	2018
<b>Liabilities</b>		
<b>Current Liabilities (Payable from Current Assets)</b>		
Accounts Payable	5,204	10,006
Other Accrued Payables	6,607	6,463
Note Payable - Current Portion	-	9,712
<b>Total Current Liabilities (Payable from Current Assets)</b>	<u>11,811</u>	<u>26,181</u>
<b>Current Liabilities (Payable from Restricted Assets)</b>		
Customer Deposits	<u>34,242</u>	<u>33,130</u>
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	<u>34,242</u>	<u>33,130</u>
<b>Long-Term Liabilities</b>		
Note Payable, Less Current Portion	<u>2,706</u>	<u>2,505</u>
<b>Total Long-Term Liabilities</b>	<u>2,706</u>	<u>2,505</u>
<b>Total Liabilities</b>	<u>48,759</u>	<u>61,816</u>
<b>Net Position</b>		
Net Investment in Capital Assets	522,981	555,341
Unrestricted	<u>589,783</u>	<u>581,307</u>
<b>Total Net Position</b>	<u>\$ 1,112,764</u>	<u>\$ 1,136,648</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, 2019 and 2018**

	2019	2018
<b>Operating Revenue</b>		
Gas Sales	\$ 465,854	\$ 553,864
Other Revenue	13,914	583
<b>Total Operating Revenue</b>	<b>479,768</b>	<b>554,447</b>
<b>Operating Expenses</b>		
Salaries and Wages	159,543	179,816
Depreciation	86,266	87,522
Employee Benefits and Payroll Taxes	45,874	47,027
Cost of Gas Sold	42,664	55,669
Supplies	36,754	18,434
Insurance	35,904	43,170
Compliance Expense	27,062	12,641
Professional Fees	20,950	20,755
Repairs and Maintenance	19,283	12,422
Other	15,581	16,467
Bad Debt Expense	15,180	11,275
Vehicle Expense	12,137	17,338
Telephone	7,988	8,034
Director's Expense	7,000	8,000
Storage	-	85
Leak Survey	-	82
<b>Total Operating Expenses</b>	<b>532,186</b>	<b>538,737</b>
<b>Net Operating Income</b>	<b>(52,418)</b>	<b>15,710</b>
<b>Nonoperating Revenue (Expense)</b>		
Gain on Disposal of Capital Assets	28,696	-
Interest Income	448	355
Interest Expense	(610)	(777)
<b>Total Nonoperating Revenue (Expense)</b>	<b>28,534</b>	<b>(422)</b>
<b>Change in Net Position</b>	<b>(23,884)</b>	<b>15,288</b>
<b>Net Position, Beginning of Year</b>	<b>1,136,648</b>	<b>1,121,360</b>
<b>Net Position, End of Year</b>	<b>\$ 1,112,764</b>	<b>\$ 1,136,648</b>

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, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Received from Customers	\$ 473,959	\$ 573,878
Received (Paid) for Meter Deposit Fees, Net	1,112	3,550
Other Receipts	13,914	5,639
Payments for Operations	(227,688)	(232,088)
Payments to Employees	(205,273)	(226,576)
<b>Net Cash Provided by Operating Activities</b>	<b>56,024</b>	<b>124,403</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for Capital Acquisitions	(50,852)	-
Proceeds from Insurance Settlement on Stolen Assets	35,144	-
Principal Repayments on Long-Term Debt	(9,511)	(6,814)
Interest Payments on Long-Term Debt	(610)	(777)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(25,829)</b>	<b>(7,591)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(100,000)	-
Interest Received	448	355
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(99,552)</b>	<b>355</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(69,357)</b>	<b>117,167</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>485,565</b>	<b>368,398</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 416,208</b>	<b>\$ 485,565</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and Cash Equivalents, Unrestricted	\$ 382,805	\$ 452,743
Cash and Cash Equivalents, Restricted	33,403	32,822
<b>Total Cash and Cash Equivalents</b>	<b>\$ 416,208</b>	<b>\$ 485,565</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Software Financed with Long-Term Debt	\$ -	\$ 19,031
Cash Paid for Interest	\$ 610.00	\$ 777.00

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, 2019 and 2018

	2019	2018
<b>Reconciliation of Net Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Net Operating Income	\$ (52,418)	\$ 15,710
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	86,266	87,522
Bad Debt Expense	15,180	12,422
(Increase) Decrease in:		
Accounts Receivable	(7,075)	7,592
Due from Other Governments	-	5,056
Inventory	17,484	(19,682)
Prepaid Insurance	133	7,090
Increase (Decrease) in:		
Accounts Payable	(4,802)	4,876
Other Accrued Payables	144	267
Customer Deposits	1,112	3,550
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 56,024</b>	<b>\$ 124,403</b>

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

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

**Notes to Financial Statements**

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**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

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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, 2019 or 2018.

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**

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**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.

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

**Notes to Financial Statements**

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**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.

**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:

<b>Description</b>	<b>Estimated Useful Lives</b>
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.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2  
FRANKLINTON, LOUISIANA

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**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:

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

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, 2019 or 2018.

**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, 2019 or 2018.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2  
FRANKLINTON, LOUISIANA

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**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.
- 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. 83, *Certain Asset Retirement Obligations*. The objective of GASB 83 is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 83 to reporting periods beginning after June 15, 2019.



WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2  
FRANKLINTON, LOUISIANA

Notes to Financial Statements

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Note 1. Summary of Significant Accounting Policies (Continued)

**New Accounting Pronouncements**

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purpose and how those activities should be reported. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 84 to reporting periods beginning after December 15, 2019.

The GASB issued Statement No. 87, *Leases*. 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. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 87 to reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt*. This Statement defines debt for purposes of disclosure in notes to the financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 88 to reporting periods beginning after June 15, 2019.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 89 to reporting periods beginning after December 15, 2020.

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

**Notes to Financial Statements**

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**Note 2. Cash and Cash Equivalents**

At December 31, 2019 and 2018, the District had cash and cash equivalents (book balances), as follows:

	2019	2018
Cash on Hand	\$ 200	\$ 200
Demand Deposits	300,156	369,571
Time and Savings Accounts	115,852	115,794
<b>Total</b>	<b>\$ 416,208</b>	<b>\$ 485,565</b>

*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, 2019, the District had \$418,623 in deposits (collected bank balances) consisting of \$300,156 in demand deposits and \$115,852 in time and savings accounts. At December 31, 2019, \$11,202 was susceptible to custodial credit risk. However, deposits were secured by a Federal Home Loan Bank letter of credit.

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.

**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.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2  
FRANKLINTON, LOUISIANA

Notes to Financial Statements

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**Note 3. Investments (Continued)**

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.

As of December 31, 2019, the District had \$100,009 invested in the Louisiana Asset Management Pool, Inc. (LAMP) which is included in the total investments balance. The LAMP portfolio includes only securities and other obligations in which local governments are authorized to invest in accordance with LRS 33:2955.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investments pools:

*Credit Risk:* LAMP is rated AAAM by Standard and Poor's.

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

*Interest Rate Risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method.

The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

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

**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, 2019 and 2018:

	Year Ended December 31, Year Ended 2019		Year Ended December 31, Year Ended 2018		Increase (Decrease) Increase in Percent
		%		%	
<b>Accounts Receivable</b>					
Current	\$ 54,412	72%	\$ 57,398	49%	23%
31-60 Days Past Due	7,195	9%	9,356	8%	2%
61-90 Days Past Due	2,421	3%	3,199	3%	0%
Over 90 Days Past Due	11,902	16%	48,181	40%	-24%
Subtotal	<u>75,930</u>		<u>118,134</u>		
Allowance for Uncollectible Accounts	<u>(11,902)</u>		<u>(48,180)</u>		
<b>Net Accounts Receivable</b>	<u>64,028</u>		<u>69,954</u>		
<b>Other Receivables</b>					
Unbilled Gas Revenue	2,286		2,556		
Other	<u>-</u>		<u>1,909</u>		
<b>Total Other Receivables</b>	<u>2,286</u>		<u>4,465</u>		
<b>Total Receivables, Net</b>	<u>\$ 66,314</u>		<u>\$ 74,419</u>		

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 collectability. Bad debt expense of \$15,180 was recorded for the current fiscal year and the allowance for uncollectible accounts was adjusted to \$11,902.

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, 2019 and 2018, accrued billings amounts were \$2,286 and \$2,556, respectively.

**Note 5. Restricted Assets**

The following is a summary of restricted assets at December 31, 2019 and 2018:

	2019	2018
Customer Deposits	<u>\$ 33,403</u>	<u>\$ 32,822</u>

**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, 2019 and 2018, is as follows:

December 31, 2019	Beginning Balance 12/31/18	Increases	Decreases	Ending Balance 12/31/19
<b>Capital Assets</b>				
Buildings	\$ 15,001	\$ -	\$ -	\$ 15,001
Equipment	286,360	50,852	(32,290)	304,922
Meters	12,440	-	-	12,440
Utility System	2,213,772	-	-	2,213,772
<b>Total Capital Assets</b>	<b>2,527,573</b>	<b>50,852</b>	<b>(32,290)</b>	<b>2,546,135</b>
<b>Less: Accumulated Depreciation for:</b>				
Buildings	(14,413)	(166)	-	(14,579)
Equipment	(217,652)	(27,663)	25,832	(219,483)
Meters	(12,418)	(22)	-	(12,440)
Utility System	(1,715,643)	(58,414)	-	(1,774,057)
<b>Total Accumulated Depreciation</b>	<b>(1,960,126)</b>	<b>(86,265)</b>	<b>25,832</b>	<b>(2,020,559)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 567,447</b>	<b>\$ (35,413)</b>	<b>\$ (6,458)</b>	<b>\$ 525,576</b>
<b>December 31, 2018</b>				
<b>Capital Assets</b>				
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
<b>Total Capital Assets</b>	<b>2,508,542</b>	<b>19,031</b>	<b>-</b>	<b>2,527,573</b>
<b>Less: Accumulated Depreciation for:</b>				
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)
<b>Total Accumulated Depreciation</b>	<b>(1,872,493)</b>	<b>(87,522)</b>	<b>-</b>	<b>(1,960,015)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 636,049</b>	<b>\$ (68,491)</b>	<b>\$ -</b>	<b>\$ 567,558</b>

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

**Notes to Financial Statements**

**Note 6. Capital Assets (Continued)**

Depreciation expense totaling \$86,266 and \$87,522 was computed on a straight-line basis for financial statement purposes for the years ended December 31, 2019 and 2018, respectively. The purchase of capital assets during 2019 included the purchase of equipment of \$50,852 and for 2018 included billing software of \$19,031.

**Note 7. Long-Term Obligations**

The following is a summary of long-term obligation transactions for the years ended December 31, 2019 and 2018:

December 31, 2019	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt Note Payable	\$ 12,217	\$ -	\$ (9,511)	\$ 2,706	\$ 2,706
<b>Total Long-Term Debt</b>	<b>\$ 12,217</b>	<b>\$ -</b>	<b>\$ (9,511)</b>	<b>\$ 2,706</b>	<b>\$ 2,706</b>

  

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
<b>Total Long-Term Debt</b>	<b>\$ -</b>	<b>\$ 19,031</b>	<b>\$ (6,814)</b>	<b>\$ 12,217</b>	<b>\$ 9,712</b>

Future principal payments consist of the following:

Year Ending December 31,	Amount
2020	\$ 2,706
<b>Total</b>	<b>\$ 2,706</b>

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

**Note 8. Restricted Net Position**

At December 31, 2019, the District had \$-0- 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.

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

**Notes to Financial Statements**

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**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 \$-0- and \$912 for the fiscal years ended December 31, 2019 and 2018, respectively.

**Note 10. Litigation and Claims**

As of December 31, 2019 and 2018, 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). 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 the 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.

**Note 12. Subsequent Events**

The District has evaluated subsequent events through the date that the financial statements were available to be issued, June 17, 2020.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the District.

**OTHER SUPPLEMENTARY INFORMATION**



**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2**  
**FRANKLINTON, LOUISIANA**  
**Schedule of Compensation Paid to Board of Commissioners**  
**For the Year Ended December 31, 2019**

**Schedule 1**

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 No. 54 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of LRS 33:4305.B.[1].

<b>Name and Title</b>	<b>Address</b>	<b>Compensation Received</b>	<b>Term Expiration</b>
Robert Paul Givens, Chairman (985) 839-4127	23010 Highway 450 Franklinton, LA 70438	\$ 2,000	12/31/2022
Don Wheat (985) 515-6939	56475 Leonard Seals Road Angie, LA 70426	1,400	12/31/2020
Joseph Felder (985) 966-0858	23642 Highway 25 Franklinton, LA 70438	1,100	12/31/2024
Dock Dyson, Jr. (985) 848-2476	56151 B.B. McKenzie Road Franklinton, LA 70438	1,300	12/31/2023
Dennis Warren (985) 839-6360	47168 Jenkins Road Franklinton, LA 70438	<u>1,300</u>	12/31/2020
		<u>\$ 7,100</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, 2019

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Schedule 2

Agency Head  
Melissa Haley, Gas Superintendent

Purpose	Amount
Salary	\$47,051
Benefits - Insurance	\$0
Benefits - Retirement	\$0
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, 2019 and 2018, 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 17, 2020.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 17, 2020

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2  
FRANKLINTON, LOUISIANA  
Schedule of Findings and Responses  
For the Year Ended December 31, 2019**

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**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?   | No         |
| 3. Management letter comment provided?   | None       |

Federal Awards

Not applicable.

**Part II - Findings Related to the Financial Statements**

None.

**Part III - Compliance and Other Matters**

Compliance

None.

Other Matter

None.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2**  
**FRANKLINTON, LOUISIANA**  
**Schedule of Prior Year Findings and Responses**  
**For the Year Ended December 31, 2019**

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

This matter has been resolved.

## **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, 2019 - December 31, 2019**

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, 2019 through December 31, 2019. 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***

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

Results: We reviewed the District's personnel and policy procedures manual. We noted that policies and procedures over purchasing did not address (2) how vendors are added to the vendor list and that policies and procedures over payroll/personnel did not address (1) payroll processing. We also noted the manual does not have policies and procedures addressing k) disaster recovery/business continuity.

Except for the exceptions above, the manual included policies and procedures over all other areas and addressed all required subjects.

### ***Bank Reconciliations***

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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: We obtained a listing of all client bank accounts for the fiscal period and management's representation that the listing was complete. We tested the District's main operating account and all other accounts (for a total of 5). For the month selected for testing, we noted that there were no exceptions to a) or b). For the month selected for testing, none of the bank statements showed items outstanding for longer than 12 months from the closing date so procedure c) was not applicable.

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

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3. 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: We obtained a listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period and management's representation that the listing was complete.

4. 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: For the month selected for testing, we noted that a) the monthly statement and supporting documentation was reviewed and approved by a board member and that b) no finance charges or late fees were assessed. There were no exceptions noted as a result of these procedures.

5. Using the monthly statements or combined statements selected under #4 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: For the month selected, we tested all 6 transactions on the statement and noted that all but one of the transactions met requirements (1) and (2). For five of the transactions tested, requirement (3) was not applicable. One of the 6 transactions tested did not meet requirements (1), (2), or (3).

## Ethics

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6. 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 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: Of the 5 employees/elected officials selected, there was only documentation of two individuals having completed one hour of ethics training during the fiscal period.

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 Professional Accounting Corporation

Covington, LA  
June 19, 2020

Washington Parish Gas Utility District No. 2  
205 11<sup>th</sup> Avenue, Suite 2  
Franklinton, LA 70438  
PH: 985-839-5026 | Fax: 985-839-5025

Mr. Daryl Purpera  
Louisiana Legislative Auditor  
1600 N 3<sup>rd</sup> St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

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 over disaster recovery/business continuity addressing all of the required elements. The District will amend polices and procedures over purchasing and payroll/personnel to address all of the required elements.
- 2) The District will amend polices and procedures over purchasing and payroll/personnel to address all of the required elements.
- 5) 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.
- 6) The District required all employees to take the training in 2019. Management will institute a procedure requiring employees to complete the training in their own name and to sign a document stating that they have read the ethics policy on an annual basis.

Sincerely,



Melissa Haley  
Gas Superintendent