

**PITKIN GAS UTILITY DISTRICT  
#1 OF VERNON PARISH**

Pitkin, Louisiana

Financial Report

Year Ended December 31, 2017

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## ACCOUNTANT'S COMPILATION REPORT

The Board of Commissioners  
Pitkin Gas Utility District #1 of Vernon Parish  
Pitkin, Louisiana

Management is responsible for the accompanying financial statements of the business-type activities of Pitkin Gas Utility District #1 of Vernon Parish (the District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance in these financial statements.

Management has omitted the management's discussion and analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

We are not independent with respect to Pitkin Gas Utility District #1 of Vernon Parish.

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

Oberlin, Louisiana  
March 8, 2018

**PROPRIETARY FUND FINANCIAL STATEMENTS**

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Proprietary Fund Type-Enterprise Fund  
Statement of Net Position  
December 31, 2017

ASSETS

Cash and interest bearing deposits	\$ 275,295
Accounts receivable	18,159
Interest receivable	200
Restricted assets -	
Customer deposits - interest bearing deposits	10,848
Capital assets, net	<u>5,232</u>
Total assets	<u>309,734</u>

LIABILITIES

Current liabilities:	
Accounts payable	7,258
Salaries payable	4,912
Payroll taxes payable	<u>1,324</u>
Total current liabilities	13,494
Noncurrent liabilities:	
Customer deposits	<u>9,875</u>
Total liabilities	<u>23,369</u>

NET POSITION

Net investment in capital assets	5,232
Unrestricted	<u>281,133</u>
Total net position	<u>\$ 286,365</u>

See accompanying notes and accountant's compilation report.

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Proprietary Fund Type-Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2017

Operating revenues:	
Gas sales	\$ 111,632
Penalties	1,707
Other income	45
Total operating revenues	<u>113,384</u>
Operating expenses:	
Salaries and related expenses	71,835
Repairs and maintenance	6,422
Maintenance fees	4,800
Gas purchases	31,933
Office supplies	7,145
Insurance	7,501
Depreciation expense	1,155
Rent	360
Miscellaneous	452
Total operating expenses	<u>131,603</u>
Operating loss	<u>(18,219)</u>
Nonoperating revenues:	
Interest income	1,097
Other nonoperating income	2,115
Total nonoperating revenues	<u>3,212</u>
Change in net position	(15,007)
Net position, beginning, as restated	<u>301,372</u>
Net position, ending	<u>\$ 286,365</u>

See accompanying notes and accountant's compilation report.

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Proprietary Fund Type-Enterprise Fund  
Statement of Cash Flows  
For the Year Ended December 31, 2017

Cash flows from operating activities:	
Operating loss	<u>\$ (18,219)</u>
Adjustments to reconcile operating loss to net cash used by operating activities -	
Depreciation	1,155
Increase in accounts receivable	(3,669)
Increase in accounts payable	2,215
Decrease in salaries payable	(287)
Decrease in payroll taxes payable	<u>(57)</u>
Total adjustments	<u>(643)</u>
Net cash used by operating activities	<u>(18,862)</u>
Cash flows from capital and related financing activities:	
Net change in meter deposits	<u>245</u>
Cash flows from investing activities:	
Interest received on interest bearing deposits	1,192
Other receipts	<u>2,115</u>
Net cash provided by investing activities	<u>3,307</u>
Net decrease in cash and cash equivalents	(15,310)
Cash and cash equivalents, beginning	<u>301,453</u>
Cash and cash equivalents, ending	<u>\$ 286,143</u>
Cash and cash equivalents reported on statement of net position as:	
Cash and cash equivalents, end of period -	
Current	\$ 275,295
Restricted	<u>10,848</u>
	<u>\$ 286,143</u>

See accompanying notes and accountant's compilation report.

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Pitkin Gas Utility District #1 of Vernon Parish (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Pitkin Gas Utility District #1 of Vernon Parish (the District) was created by the Vernon Parish Police Jury. The District is governed by a five-member board of commissioners and is authorized to construct, maintain, and improve the system of water supply within the district.

Because the Vernon Parish Police Jury appoints the District's governing body, the District was determined to be a component unit of the Vernon Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vernon Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

The District serves approximately 210 customers and has 4 employees.

B. Basis of Presentation

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses an enterprise fund to account for its proprietary fund operations. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Notes to the Financial Statements (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recognized in the accounts and reported in the financial statements.

Measurement Focus

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic assets used.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and Cash Equivalents

Cash and interest-bearing deposits include all demand deposits, savings accounts, and certificates of deposits of the District. For purposes of the statement of cash flows, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year end and not yet received. Enterprise fund activities report customer’s utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts, if any. There was no allowance recorded at December 31, 2017 due to immateriality.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Depreciation of all exhaustible fixed assets is recorded as an expense. Depreciation has been provided over the assets’ estimated useful lives using the straight-line method of depreciation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The range of estimated useful lives by type of asset, are as follows:

Furniture, fixtures and equipment	3-11 years
Plant and Distribution System	45 years

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Notes to the Financial Statements (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively. The District had no deferred outflows or resources or deferred inflows of resources at December 31, 2017.

Compensated Absences

The District has not established a formal policy relating to the vesting and accrual of vacation and sick leave. At December 31, 2017, the District has no accumulated leave benefits required to be reported in accordance with GASB statement No. 16 "Accounting for Compensated Absences."

Restricted Assets

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

Long-term debt

The District has no long-term debt.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets consists of 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.
- b. Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. It is the District's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.
- c. Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Notes to the Financial Statements (Continued)

E. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets, and insurance recoveries on property loss. Nonoperating expenses are those expenses not directly related to the production of revenue and include items such as interest end losses on disposal of assets.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within 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 certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2017, the District has cash and interest-bearing deposits (book balances) totaling \$286,143 as follows:

Demand deposits	\$ 24,004
Certificates of deposit	262,139
	<u>\$ 286,143</u>

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
 Pitkin, Louisiana

Notes to the Financial Statements (Continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. These deposits are stated at cost, which approximates market. Under state law these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security 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 pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2017 of \$285,576 were secured in total by federal deposit insurance and therefore not exposed to custodial credit risk.

(3) Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Plant and Distribution System	\$ 161,149	\$ -	\$ -	\$ 161,149
Furniture, fixtures and equipment	64,781	-	-	64,781
Total	225,930	-	-	225,930
Less accumulated depreciation	219,543	1,155	-	220,698
Capital assets, net	<u>\$ 6,387</u>	<u>\$ (1,155)</u>	<u>\$ -</u>	<u>\$ 5,232</u>

(4) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(5) Board Members' Compensation

The Board of Commissioners of the District served without compensation for the year ended December 31, 2017.

(6) Compensation, Benefits and Other Payments to Office Manager

A detail of compensation, benefits and other payments paid to Erin Noblitt, Office Manager, for the year ended December 31, 2017 follows:

Salary	<u>\$ 13,179</u>
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PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Notes to the Financial Statements (Continued)

(7) Prior Period Adjustment/Correction of an Error

The District has determined that certain transactions were recorded incorrectly in a prior year. Certain errors resulting in an understatement of accounts were discovered in the current year. The following schedule reconciles December 31, 2016 net position as previously reported to beginning net position, as restated, as a result of the correction of an error described above:

Net position, previously reported	\$297,109
Prior period adjustment:	
Correction of an error	<u>4,263</u>
Beginning net position, as restated	<u>\$301,372</u>

## **COMPLIANCE**

PITKIN GAS UTILITY DISTRICT #1 OF VERNON PARISH  
Pitkin, Louisiana

Summary Schedule of Current and Prior Year Findings  
and Corrective Action Plan  
For the Year Ended December 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
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CURRENT YEAR (12/31/17) --

Compliance:

There were no compliance findings to be reported.

PRIOR YEAR (12/31/16) --

Compliance:

There were no compliance findings to be reported.