

**GAS UTILITY DISTRICT NUMBER 1**  
**of EAST BATON ROUGE PARISH**  
**FINANCIAL STATEMENTS**  
**June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

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4257 CHURCH STREET, SUITE 105  
ZACHARY, LA 70791

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Gas Utility District No. 1  
of East Baton Rouge Parish  
Zachary, Louisiana

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Gas Utility District No. 1 of East Baton Rouge Parish as of and for the year ended June 30, 2016 and the related notes to the financial statements 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 controls 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**

My responsibility is to express opinions on these financial statements based on my audit. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gas Utility District No. 1 of East Baton Rouge Parish as of June 30, 2016 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles accepted in the United States of America.

### **Other Matters - Required Supplemental information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Matters - Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gas Utility District No. 1 of East Baton Rouge Parish's basic financial statements. The schedules of compensation paid to board members and compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not part of the basic financial statements.

This supplementary information 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 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 my opinion the supplemental schedules listed above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2016, on my consideration of the Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting compliance.



William P. Gaines, Jr., CPA  
Zachary, LA  
November 18, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
ZACHARY, LA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

The Management's Discussion and Analysis of Gas Utility District No. 1 of East Baton Rouge Parish presents narrative overview and analysis of the District's financial activities for the year ended June 30, 2016. This document focuses on the current year's activities, resulting changes and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the District's financial statements.

**FINANCIAL HIGHLIGHTS**

- The revenues of the District exceeded its expenses as of June 30, 2016 by \$536,396.
- At June 30, 2016, the District's assets totaled \$5,832,402.
- The District reported gas sales of \$2,089,637 during the year ended June 30, 2016.
- The District's Meter Deposit had an increase in the year ended June 30, 2016.
- The District's Gas System had approximately \$765,831 of major capital additions.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The minimum requirements for Gas Utility District No. 1 of East Baton Rouge Parish as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**Basic Financial Statements**

This report consists of the following financial statements: The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position which provides information about the activities of the District as a whole and present a longer-term view of the District's

**GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
ZACHARY, LA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the District's net position and changes in them. One can think of the District's net position, (the difference between assets and liabilities) as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

**FINANCIAL ANALYSIS OF THE ENTITY**

**Condensed Statements of Net Position**  
**As of June 30, 2016 and 2015**

	June 30, 2016	June 30, 2015
Current and other assets	\$ 4,122,011	\$ 4,058,532
Capital assets, net	<u>1,710,391</u>	<u>1,124,578</u>
Total Assets	<u>5,832,402</u>	<u>5,183,110</u>
Current and other liabilities	370,264	\$ 292,529
Long term liabilities	<u>231,885</u>	<u>205,945</u>
Total Liabilities	<u>602,149</u>	<u>498,474</u>
Net position		
Net investment in capital assets	\$ 1,710,391	\$ 1,124,648
Restricted for debt service	0	0
Unrestricted	<u>3,519,862</u>	<u>3,559,988</u>
Total Net Position	<u>\$ 5,230,253</u>	<u>\$ 4,684,636</u>

The total net position as of June 30, 2016 of the District increased by \$ 545,617.

**GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
ZACHARY, LA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

**Condensed Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Years Ended June 30<sup>th</sup>**

	<u>2016</u>	<u>2015</u>
Operating Revenue	\$ 2,247,156	\$ 2,695,369
Operating Expenses	<u>1,710,760</u>	<u>1,974,466</u>
Operating income	\$ 536,396	\$ 720,903
Nonoperating revenues(expenses)	\$ 9,221	\$ 8,894
Change in net position	<u>\$ 545,617</u>	<u>\$ 729,797</u>

The District's total operating revenues and expenses decreased \$ 448,213 due primarily to the drop in the price of natural gas.

**CAPITAL ASSETS AND LONG TERM LIABILITIES**

Capital Assets

At the end of year 2016, the District had \$ 1,704,391, net of depreciation, invested in a broad range of capital assets (see table below). The net increase is made up of additions totaling \$ 765,831 and depreciation of \$ 180,018 which reduces the carrying value.

Capital Assets at Years Ended  
(Net of Depreciation)

	<u>2016</u>	<u>2015</u>
Land	\$ 22,900	\$ 22,900
Utility systems	990,608	831,629
Equipment	200,333	104,005
Vehicles	76,935	86,288
Software	11,107	15,550
Furniture and Fixtures	19,195	20,050
Building	<u>383,313</u>	<u>44,156</u>
Total	<u>\$ 1,704,391</u>	<u>\$ 1,124,578</u>

**GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
ZACHARY, LA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

The year ended June 30, 2016 major additions include vehicles of \$ 35,945, plant addition of \$ 239,928, equipment of \$ 144,227 and building of \$ 341,127.

Long-term liabilities

At the end of the June 30, 2016 year, the District had \$231,885 in long term liabilities compared to \$ 205,945 at the previous year end. This amount represents an increase of \$ 25,940 from the previous year end.

**ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES**

Gas Utility District No. 1 of East Baton Rouge Parish considers the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1.) Long-term debt requirements
- 2.) Cost of operations
- 3.) Number of customers
- 4.) Intergovernmental revenues (state and local grants)

The District does not expect any significant changes in next year's budget results as compared to the current period.

**CONTACTING THE GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE  
PARISH'S MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Gas Utility District No. 1 of East Baton Rouge Parish's finances and to show the District's accountability for the money it receives. If the reader has any questions about this report or needs any additional information, contact Phyllis Sims, Office Manager, 10633 Greenwell Springs Port Hudson Road, Zachary, LA 70791, or 225-654-4020.

FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
ZACHARY, LA  
STATEMENT OF NET POSITION  
JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,826,364
Restricted cash	218,658
Accounts receivable, net	61,470
Prepaid insurance	<u>40,740</u>

TOTAL CURRENT ASSETS \$ 3,147,232

NONCURRENT ASSETS

Capital Assets, Net of depreciation	\$ 1,710,391
Deposits	70
Investments	<u>974,709</u>

TOTAL NONCURRENT ASSETS \$ 2,685,170

DEFERRED OUTFLOWS OF RESOURCES 0

TOTAL ASSETS \$ 5,832,402

Continued

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 STATEMENT OF NET POSITION - (CONTINUED)  
 JUNE 30, 2016

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 69,671
Compensated absences, current portion	52,797
Customer deposits	226,070
Net OPEB obligation	<u>21,726</u>

TOTAL CURRENT LIABILITIES 370,264

LONG-TERM LIABILITIES

Unclaimed bonds	5,023
Compensated absences	158,389
Net OPEB obligation	<u>68,473</u>

TOTAL LONG-TERM LIABILITIES 231,885

TOTAL LIABILITIES 602,149

DEFERRED INFLOWS OF RESOURCES 0

NET POSITION

Net investment in capital assets	1,710,391
Unrestricted	<u>3,519,862</u>

TOTAL NET POSITION \$ 5,230,253

The accompanying notes are an integral part of these financial statements

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 NET POSITION  
 YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Gas sales	\$ 2,089,637
Service charges	118,553
Other income	<u>38,966</u>
TOTAL OPERATING REVENUES \$ 2,247,156	
OPERATING EXPENSES	
Gas purchases	290,251
Payroll	653,605
Insurance	22,347
Employee benefits	122,287
Post retirement benefits	29,484
Repairs and maintenance	45,662
Depreciation expense	180,018
Employee retirement	62,242
Payroll taxes	47,617
Fuel	21,940
Legal and professional	39,857
Meter reading	37,938
Postage	32,089
Gas purchases fee	14,143
Office expense	9,387
Telephone	13,236
Utilities	17,037
Supplies	14,034
Miscellaneous	5,771

Continued

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 NET POSITION (CONTINUED)  
 YEAR ENDED JUNE 30, 2016

Small tools	1,340
Employee training and seminars	11,205
Janitorial and trash	6,239
Dues	8,216
Public awareness	9,462
One call concept	2,791
Security	424
Drug testing	1,606
Rental of equipment	3,832
Bank charges	<u>6,700</u>
TOTAL OPERATING EXPENSES	<u>1,710,760</u>
OPERATING INCOME	536,396
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>9,221</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>9,221</u>
CHANGE IN NET POSITION	545,617
NET POSITION, AT BEGINNING OF YEAR	<u>4,684,636</u>
NET POSITION, AT END OF YEAR	<u><u>\$ 5,230,253</u></u>

The accompanying notes are an integral part of these financial statements

GAS UTILITY DISTRICT NO.1 OF EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,240,800
Payments to suppliers	(528,442.00)
Payments to employees	(653,605.00)
Payment for employee benefits	(211,730.00)
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ 847,023</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
	\$ -
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (765,831)
NET CASH USED FOR CAPITAL AND RELATED FINANCIAL ACTIVITIES	<u>\$ (765,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,380
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 1,380</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 82,572
BALANCE - BEGINNING OF YEAR	2,962,450
BALANCE - END OF YEAR	<u><u>\$ 3,045,022</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 536,396
Adjustments to reconcile operating income to net cash proceeds provided by for opeating activities	
Depreciation expense	180,018
Change in assets and liabilities	
(Increase) Decrease in receivales	(6,356)
(Increase) Decrease in prepaid insurance	33,290
Increase (Decrease) in payables	53,775
Increase (Decrease) in accruals	49,900
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u><u>\$ 847,023</u></u>

The accompanying notes are an integral part of these financial statements

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
ZACHARY, LA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Introduction and Nature of Activities

The Gas Utility District No. 1 of East Baton Rouge Parish (hereinafter referred to as the "District") is a political subdivision of the State of Louisiana and a component unit of the East Baton Rouge Parish Government. The District was created by the East Baton Rouge Parish government on November 8, 1961, under the provision of R.S. 33:4301, and operates under a Board of Commissioners form of government. The commissioners are appointed for a term of five years, except to fill an unexpired term. There are nine commissioners, seven of which are appointed by the East Baton Rouge Parish Council, one by the Mayor of the City of Central and one by the Mayor of the City of Zachary. The District provides natural gas to homes and businesses in a defined area of East Baton Rouge Parish, Louisiana. The District serves approximately 3,400 customers and has approximately 14 employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Adoption of New Accounting Principle

During 2016 the District adopted GASB Statement 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. There was no affect to net position or fund balance as a result of implementing GASB Statement No. 72.

B. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for the year ended December 31, 2004, the District implemented Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The most significant change as a result of the implementation of Statement No. 34

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
ZACHARY, LA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

is, for the first time, the District included a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations. The implementation of this new accounting pronouncement did not change the District's policies for recognizing revenues or expenses and did not result in any changes in reporting earnings or retained earnings of the District.

C. Reporting Entity

Gas Utility District No. 1 of East Baton Rouge Parish is a component unit of the East Baton Rouge Parish government (the primary government). Organizations for which a primary government is accountable because the government appoints a voting majority of the board, but is not financially accountable, are related organizations. The East Baton Rouge Parish government is not financially accountable for the District. The accompanying financial statements present only financial information of this related organization and no other organizations.

D. Government-wide Accounting

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a statement of net position and statement of revenues, expenses and changes in net position for the District as a whole. These statements include the primary government. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. Government-wide statements distinguish between governmental and business-type activities.

Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

*Eliminating Internal Activity*

Inter-fund receivables and payables are eliminated in the statement of net position except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function is eliminated in the statement of activities. Allocated expenses are reported by the function to which they were allocated.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
ZACHARY, LA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

*Capitalizing Assets*

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost or estimated cost where historical cost is unavailable and are depreciated using the straight-line or modified accelerated recovery cost system methods of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the statement of net position.

Using the requirements of GASB Statement No. 34, the District is considered a Phase 3 government as total annual revenues is less than \$10 million. Such governments were not required to report major general infrastructure assets retroactively. The District opted not to retroactively report these types of capital assets.

*Program Revenues*

The statement of activities presents three categories of program revenues - (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the District. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are reserved for a specific use.

*Indirect Expenses*

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the District has chosen not to do so.

*Operating Revenues*

Proprietary funds separately report operating and non-operating revenues. Operating revenue is revenue generated from the sale of natural gas, late fees and service fees. Non-operating revenue would be revenue from sources such as sale of old assets or any other revenue from a non-operating source.

*Restricted Net Position*

Restricted net position is that for which a constraint has been imposed either externally or by law. The District recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted resources are used.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

E. Fund Accounting

The Gas Utility District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net position, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

F. Basis of Accounting

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 and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

G. Cash and Cash Equivalents

Cash includes cash on hand and cash in interest bearing demand deposits. Cash equivalents include amounts in time deposits (CD's) and investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

H. Investments

As of June 30, 2016 the District had investments in certificates of deposit with original maturity dates over 90 days old as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Carrying Amount</u>
Certificates of deposit	\$ 947,709	\$ 974,709	\$ 974,709

The District categorizes the fair value measurements of its investments based on the hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 are significant unobservable inputs. All of the District's investments are measured using Level 1 inputs.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
ZACHARY, LA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

Credit Risk:

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. At August 31, 2016 the District had \$974,709 in certificates of deposit with original maturity dates of greater than 90 days which were fully secured by federal deposit insurance and pledged securities held by the custodial bank in joint custody. The District has no policy on credit risk.

Inherent Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District invested in certificates of deposit with original maturity dates over 90 days old. The District has no policy on interest rate risk.

Concentration of Credit Risk

Concentration of credit risk relates to the amount of investments in any one entity. At August 31, 2016 the District's investments were all in certificates of deposit at the Bank of Zachary.

I. Inventory

The District's inventory, valued at the lower of cost or market, consists of hot water heaters and gas space heaters. Cost is determined using the first-in first-out method. The current balance of inventory is zero. Gas is expensed when purchased. The amount remaining in the lines at any given time is not material to the accompanying financial statements and, therefore, no included in inventory.

J. Unclaimed Bonds

All outstanding bonds matured on June 1, 1987 and do not earn any interest from that date. The interest rate on the bonds was 4% per annum. The balance remaining of unclaimed bonds is \$5,023.

K. Prepaid Items

The District's only prepaid asset consists of prepaid insurance. The District's insurance policy period is February 1 through January 31.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

L. Fixed Assets

Fixed assets of the District are included on the balance sheet of the fund. Depreciation is charged as an expense against operations.

Fixed assets are recorded at cost and depreciated using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	25 years
Machinery and equipment	5 - 12 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years
Gas systems	15 - 40 years

M Accounts Receivable

All accounts receivable result from billings to customers for natural gas used. Uncollectible accounts due from customers are recognized as bad debts through the establishment of an allowance account. In 2016, the allowance account was deemed to be sufficient; consequently, no adjustments were made.

N. Long-term Liabilities

The District's long-term liabilities include the following

	Beginning	Additions	Deductions	Ending
Unclaimed Bond Funds	5,023			5,023
Compensated Absences	134,982	23,407	-0-	158,389
Net OPEB liability	65,490	2,533	-0-	68,473
Total Long-term Liabilities	205,945	25,940	-0-	231,885

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Income Taxes

The District is a local governmental entity that is exempt from income taxes.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
ZACHARY, LA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

Q. Compensated Absences

The District's policy on vacation allows the carryover of vacation hours. The number of hours allowed is determined by the length of service. The maximum number of vacation hours that can be accumulated ranges from 1,040 to 1,560. Sick leave is earned at the rate of one and 1/4 day for every month worked for employees hired before June 7, 1996. Employees hired on or after June 7, 1996 earn 1 day per month. Unused sick leave for employees hired before June 7, 1996 are allowed to accrue and vest to a maximum of 195 days. Employees hired on or after June 7, 1996 accumulate and vest to a maximum of 130 days. The estimated amount of vacation and sick leave to be used in the coming year is considered a current liability. The balance of the unpaid vacation and sick leave is considered a long term liability.

R. Pension Fund for Employees

The District contributes to an Simplified Employee Pension Plan on behalf of it's employees. Contributions equal 10% of the employee's salary or wages. Employees are immediately vested. An employee is eligible to participate in the plan immediately upon employment. The plan is administered by State Farm Insurance.

The contributions for the year ended June 30, 2016 were \$62,242.

S. Other Post Employment Benefits

The District provides certain health care benefits, in accordance with the policy adopted by the Board of Commissioners, to eligible employees who retire from the District. At June 30, 2016, the District had two retired employees who were receiving these benefits. The District recognizes the cost of providing these benefits by expensing the annual insurance premium, which was \$ 118,046 for the year ended June 30, 2016.

T. Related Party Transactions

There were no related party transactions.

U. Litigation and Claims

There were no outstanding litigations or other actions pending against the District.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
ZACHARY, LA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

V. Subsequent Events

Management has evaluated subsequent events and determined that there were no subsequent events between the close of the fiscal year and November 18, 2016, the date on which the financial statements were available to be issued, that would materially impact the accompanying financial statements.

W. Net Position

In the statement of net position, the difference between a government's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

*Net Investment in Capital Assets*

This category records capital assets net of accumulated depreciation and reduced by and outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

*Restricted Net Position*

Net position that are reserved by external sources, such as banks or by law, are reported separately as restricted net position. When assets are required to be retained in perpetuity, these non-expendable net position are recorded separately from expendable net position. These are components of restricted net position.

*Unrestricted Net Position*

This category represents net position not appropriable for expenditures or legally segregated for a specific future use.

Note 2. CASH AND CASH EQUIVALENTS

At June 30, 2016, the District had cash and cash equivalents of \$2,826,364 as follows:

Current Assets	
Cash on hand	\$ 1,900
Cash in interest bearing demand deposits	<u>2,824,464</u>
Total in current assets	<u>\$ 2,826,364</u>

ZACHARY, LA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

These deposits are stated at cost, which approximates market. Under state law, these deposits or bank balances 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. 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. At June 30, 2016 the District had \$2,826,364 in deposits (collected bank balances and certificates of deposit). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$4,025,312 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statements No. 3, La. R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3. FIXED ASSETS

A summary of fixed assets at June 30, 2016 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 22,900	\$ -0-	\$ 22,900
Buildings	750,918	367,605	383,313
Machinery and equipment	653,118	452,785	200,333
Furniture and fixtures	64,777	45,582	19,195
Vehicles	311,904	234,969	76,935
Billing software	43,680	32,573	11,107
Gas system	2,789,712	1,799,104	990,608
Contributed assets	<u>6,000</u>	<u>-0-</u>	<u>6,000</u>
	\$ 4,643,009	\$ 2,932,618	\$1,710,391

A summary of changes in fixed assets at June 30, 2016 follows:

<u>Asset</u>	<u>06/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>06/30/16</u>
Vehicles	\$ 275,959	\$ 35,945	\$ -0-	\$ 311,904
Billing Software	43,680	-0-	-0-	43,680
Buildings	409,791	341,127	-0-	750,918
Equipment	508,891	144,227	-0-	653,118

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

Furniture	60,173	4,604	-0-	64,777
Gas System	2,549,784	239,928	-0-	2,789,712
Land	22,900	-0-	-0-	22,900
Contributed Assets	<u>6,000</u>	<u>-0-</u>	<u>-0-</u>	<u>6,000</u>
	\$ 3,877,178	\$ 765,831	\$ -0-	\$ 4,643,009

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover these risks. The District purchased coverage for general liability; building and contents on the buildings; commercial auto liability, comprehensive, collision, and uninsured motorists; and workers compensation. The total insurance cost for fiscal year ended June 30, 2016 was \$66,749 before refund adjustments received from insurance company .

NOTE 5. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. Gas Utility District No. 1 of East Baton Rouge Parish (The District) administers a single employer defined benefit healthcare plan (“the Retiree Health Care Plan”). The plan provides, until age 65, healthcare insurance for eligible retirees through an individual health insurance plan. Benefit provisions are established through negotiations between the District and the health insurance company and are renegotiated annually. The Plan does not issue a financial report.

Funding Policy. Contribution requirements are directed by the Board of Directors. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute none of their premium costs. In fiscal year 2016, total member contributions were \$ -0-.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 29,484
Interest on net OPEB obligation	3,474
Adjustment to annual required contribution	<u>( 8,699)</u>
Annual OPEB cost (expense)	24,259
Contributions made	<u>( 20,922)</u>
Increase in net OPEB obligation	3,337
Net OPEB obligation – beginning of year	<u>86,862</u>
Net OPEB obligation – end of year	<u><u>\$ 90,199</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentages of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	86,620	105.00%	82,304
6/30/15	23,752	80.80%	86,862
6/30/16	24,259	86.20%	82,304

Funded Status and Funding Progress. As of June 30, 2016, the actuarial accrued liability for benefits was \$218,185 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$145,300 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 150.2%.

Other Actuarial Assumptions: A. Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the insurer assumed to increase with medical trend rates. A rate of 10% initially, reduced to a ultimate rate of 5% after eleven years was used. B. Payroll growth rate – The expected long term payroll growth rate was assumed to be equal to the rate of inflation or 3%. . C. Cost Method used was projected unit credit with linear proration to decrement.

Based on the historical and expected returns of the District’s short term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 15 years.

REQUIRED SUPPLEMENTAL INFORMATION

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 JUNE 30, 2016

Schedule of Funding Progress  
 for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
6/30/14	\$ -0-	\$ 599,541	\$ 599,541	0.0%	\$ 435,890	137.5%
6/30/15	-0-	221,623	221,623	0.0%	141,068	157.1%
6/30/16	-0-	218,185	218,185	0.0%	145,300	150.2%

SUPPLEMENTAL INFORMATION

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
SCHEDULE OF COMPENSATION, BENEFITS  
AND OTHER PAYMENTS TO AGENCY HEAD  
JUNE 30, 2016

Thomas Smith, Operation Director

Purpose	
Salary	\$ 82,394
Retirement	8,239
Health Insurance	11,692
Reimbursement	<u>64</u>
Total Payments	<u>\$ 102,389</u>

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS  
JUNE 30, 2016

<u>Board Member</u>	<u>Amount</u>
Randy Lorio	-0-
Danny Allen	-0-
Tony Causey	-0-
Kerry Duplessis	-0-
Vernon Humphries	-0-
Jeffrey Johnson	-0-
Larry Powenski	-0-
Roger Sanford	-0-
Jarvis Hays	-0-
Jeff Manchester	-0-

OTHER REPORTS

WILLIAM P. GAINES, JR., CPA  
(A PROFESSIONAL ACCOUNTING CORPORATION)  
4257 CHURCH STREET, SUITE 105  
ZACHARY, LA 70791

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

Board of Commissioners  
Gas Utility District No. 1  
of East Baton Rouge Parish  
Zachary, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and remaining fund information of the Gas Utility District No. 1 of East Baton Rouge Parish as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Gas Utility District No. 1 of East Baton Rouge Parish's financial statements, and have issued my report thereon dated November 18, 2016.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Gas Utility District No. 1 of East Baton Rouge Parish's financial statements are free from material misstatement, I 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 my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

REPORT ON COMPLIANCE AND OTHER MATTERS  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
PAGE 2

*Internal Control over Financial Reporting*

In planning and performing my audit, I considered the Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gas Utility District No. 1 of East Baton Rouge Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of the Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting.

*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.

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

*Purpose of the Report*

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is is intended solely for the information and use of management, others within the agency, the Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specifield parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



William P. Gaines, Jr., CPA  
Zachary, LA 70791  
November 18, 2016

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH  
ZACHARY, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2016

**Section I Internal Control and Compliance Material to the Financial Statements**

None

**Section II Compliance and Internal Control Material to Federal Awards**

None

**Section III Management Letter**

None

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 ZACHARY, LOUISIANA  
 SCHEDULE OF FINDINGS AND RESPONSES  
 YEAR ENDED JUNE 30, 2016

I have audited the financial statements of the Gas Utility District No. 1 of East Baton Rouge Parish as of and for the year ended June 30, 2016, and have issued my report thereon dated November 6, 2015. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2016 resulted in an unmodified opinion.

**Section I Summary of Auditor's Reports**

A	Report on Compliance and Internal Control Material to the Financial Statements		
	Compliance	Material to Financial Statements	No
	Internal Control	Material Weakness	No
		Control Deficiencies	No
B.	Federal Awards		
	Compliance	Material to Financial Statements	N/A
	Internal Control	Material Weakness	N/A
		Control Deficiencies	N/A
C.	Identification of Major Programs		
	N/A		

**Section II Financial Statement Findings**

None

**Section III Federal Award Findings and Questioned Costs**

None

**Section IV Management Letter Issues**

None