

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

Annual Financial Statements

December 31, 2017 and 2016



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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, 2017 and 2016, 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, 2017 and 2016, 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 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. 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 19, 2018, 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 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 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 19, 2018

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

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

Management's Discussion and Analysis

Introduction

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

Financial Highlights

- At December 31, 2017, total assets were \$1,162,266, and exceeded liabilities in the amount of \$1,121,360 (i.e., net position). Of the total net position, \$482,218 was unrestricted and available to support short-term operations, with \$636,049 invested in capital assets, and the balance of \$3,093 restricted for capital activity.
- In 2017, the District paid the outstanding long-term debt balance of \$140,888.
- For the year ended December 31, 2017, user fee revenues (gas sales) decreased by \$6,564, or 1%, to \$549,908, as compared to \$556,472 for the fiscal year ended December 31, 2016.
- The District's operating expenses, excluding depreciation expense, increased by \$31,010, to \$432,298, as compared to \$401,288 for the prior fiscal year. Key components of the increase were increases in gas line supplies of \$22,255, vehicle expense of \$10,690, and insurance of \$7,621, partially offset with a decrease in professional fees of \$10,710.

Overview of the Financial Statements

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

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

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

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

Management's Discussion and Analysis

Financial Analysis of the District

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

**Condensed Statements of Net Position
December 31, 2017 and 2016**

	2017	2016	\$ Change	% Change
Current and Other Assets	\$ 493,544	\$ 490,958	\$ 2,586	1%
Restricted Assets	32,673	157,828	(125,155)	-79%
Capital Assets, Net	<u>636,049</u>	660,774	(24,725)	-4%
Total Assets	<u>1,162,266</u>	1,309,560	(147,294)	-11%
Long-Term Debt Outstanding	-	85,721	(85,721)	-100%
Other Liabilities	<u>40,906</u>	113,429	(72,523)	-64%
Total Liabilities	<u>40,906</u>	199,150	(158,244)	-79%
Net Position				
Net Investment in Capital Assets	636,049	519,886	116,163	22%
Restricted for Debt Service and Meter Deposits	3,093	116,385	(113,292)	-97%
Unrestricted	<u>482,218</u>	474,139	8,079	2%
Total Net Position	<u>\$ 1,121,360</u>	\$ 1,110,410	10,950	1%

"Current and other assets" increased by \$2,586.

The major component of change for "restricted assets" is a \$116,400 decrease in reserve and contingency accounts due to payment of the outstanding balance of the gas revenue bonds which waived the requirement to maintain reserve and contingency accounts.

"Capital assets" decreased by \$24,725, primarily related to depreciation expense incurred of \$92,272 offset by purchases in the current year. The purchase of capital assets included boring costs of \$24,195.

The major component of change for "total liabilities" is due to payment of the outstanding principal balance of \$140,888 on gas revenue bonds.

Total net position increased \$10,950 for the fiscal year ended December 31, 2017, 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 Year Ended December 31, 2017 and 2016**

	2017	2016	\$ Change	% Change
Revenues				
Operating Revenues	\$ 578,462	\$ 569,385	\$ 9,077	2%
Nonoperating Revenues	9,229	173	9,056	5235%
Total Revenues	587,691	569,558	18,133	3%
Expenses				
Cost of Gas Sold	47,238	42,691	4,547	11%
Depreciation Expense	92,272	89,573	2,699	3%
Other Operating Expense	432,298	401,288	31,010	8%
Nonoperating Expense	4,933	8,054	(3,121)	-39%
Total Expenses	576,741	541,606	35,135	6%
Change in Net Position	10,950	27,952	(17,002)	-61%
Beginning Net Position (Restated)	1,110,410	1,082,458	27,952	3%
Ending Net Position	\$ 1,121,360	\$ 1,110,410	\$ 10,950	1%

The above table shows an increase in net position of \$10,950 for the fiscal year ended December 31, 2017.

Total "operating revenues" (including gas sales and revenues related to providing gas and related services to customers) increased by \$9,077, or 2%. This was primarily due to an increase in other revenues of \$15,641, partially offset by a decrease in gas sales of \$6,564.

Nonoperating revenues increased by \$9,056. This was primarily due to a gain on disposal of fixed assets of \$9,063.

Total "expenses" increased by \$35,135 from prior-year expenses. Most notable is the increase in other operating expenses of \$31,010 and increase in cost of gas sold of \$4,547. Key components of the increase were increases in gas line supplies of \$22,255, vehicle expense of \$10,690, and insurance of \$7,621, partially offset by a decrease in professional fees of \$10,710.

Nonoperating expenses decreased by \$3,121 due to a decrease in interest expense.

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

Management's Discussion and Analysis

One key measure of a gas district's profitability, and the ability to generate positive cash flows, is the ability of the gas system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017		Year Ended December 31, 2016		Increase (Decrease) in Percent
	\$	%	\$	%	
Accounts Receivable					
Current	\$ 85,800	68%	\$ 71,518	68%	0%
31-60 Days Past Due	40,757	32%	5,898	6%	27%
61-90 Days Past Due	-	0%	1,756	2%	-2%
Over 90 Days Past Due	-	-1%	25,936	24%	-25%
Subtotal	<u>126,557</u>		<u>105,108</u>		
Allowance for Uncollectible Accounts	<u>(36,905)</u>		<u>(25,041)</u>		
Net Accounts Receivable	<u>89,652</u>		<u>80,067</u>		
Other Receivables					
Unbilled Gas Revenue	3,451		2,604		
Other	<u>1,330</u>		<u>1,494</u>		
Total Other Receivables	<u>4,781</u>		<u>4,098</u>		
Total Receivables, Net	<u>\$ 94,433</u>		<u>\$ 84,165</u>		

Total net receivables for gas service increased by \$9,585. Bad debt expense of \$11,863 was recorded for the current fiscal year-end. The allowance for uncollectible accounts was adjusted to \$36,905. The increase was primarily due to the increase in accounts that are over 120 days old.

Capital Assets

At December 31, 2017, Washington Parish Gas Utility District No. 2 had \$636,049 (net of accumulated depreciation) recorded in capital assets. This includes gas line systems and improvements, investment in gas meters, storage, and other equipment, such as office equipment, and maintenance equipment used to operate the gas system. The changes in capital assets are presented in the table below:

	December 31, 2017	December 31, 2016	\$ Change	% Change
Capital Assets				
Utility System	\$ 2,213,772	\$ 2,189,757	\$ 24,015	1.1%
Equipment	267,329	243,040	24,289	10.0%
Buildings	15,001	15,001	-	0.0%
Meters	12,440	12,440	-	0.0%
Subtotal	<u>2,508,542</u>	<u>2,460,238</u>	<u>48,304</u>	<u>2.0%</u>
Less: Accumulated Depreciation	<u>(1,872,493)</u>	<u>(1,799,464)</u>	<u>(73,029)</u>	<u>4.1%</u>
Net Capital Assets	<u>\$ 636,049</u>	<u>\$ 660,774</u>	<u>\$ (24,725)</u>	<u>-3.7%</u>

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

Management's Discussion and Analysis

Net capital assets decreased by \$24,725, primarily related to depreciation expense incurred of \$92,272, offset by purchases in the current year. The purchase of capital assets included boring costs of \$24,015.

Long-Term Debt Obligations

The primary source of long-term financing for Washington Parish Gas Utility District No. 2 is a revenue bond financed by the United States Department of Agriculture, Rural Utilities Service (RUS). The bond was issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to the gas utility system and to retire the previous bond debt of \$376,126. The funds were advanced over a period from June of 1999 to October of 2000, totaling \$758,000. Interest on the debt is charged at a rate of 4.75% per annum, payable over twenty years.

During the fiscal year ended in December 31, 2017, the District paid the outstanding principal balance of the revenue bond of \$140,888.

Future Economic Plans

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statements of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 335,725	\$ 347,610
Receivables, Net	94,433	84,165
Due from Other Governments	5,056	-
Inventory	37,390	43,547
Prepaid Insurance	20,940	15,636
Total Current Assets	493,544	490,958
Restricted Assets		
Restricted Cash and Cash Equivalents	32,673	157,828
Total Restricted Assets	32,673	157,828
Property, Plant, and Equipment		
Property, Plant, and Equipment, Net	636,049	660,774
Total Property, Plant, and Equipment	636,049	660,774
Total Assets	1,162,266	1,309,560

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, 2017 and 2016

	2017	2016
Liabilities		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	5,130	9,569
Other Accrued Payables	6,196	7,250
Revenue Bonds Payable	-	55,167
Total Current Liabilities (Payable from Current Assets)	<u>11,326</u>	<u>71,986</u>
Current Liabilities (Payable from Restricted Assets)		
Customer Deposits	<u>29,580</u>	<u>41,443</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>29,580</u>	<u>41,443</u>
Long-Term Liabilities		
Bonds Payable	<u>-</u>	<u>85,721</u>
Total Long-Term Liabilities	<u>-</u>	<u>85,721</u>
Total Liabilities	<u>40,906</u>	<u>199,150</u>
Net Position		
Net Investment in Capital Assets	636,049	519,886
Restricted for:		
Debt Service and Meter Deposits	3,093	116,385
Unrestricted	<u>482,218</u>	<u>474,139</u>
Total Net Position	<u>\$ 1,121,360</u>	<u>\$ 1,110,410</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, 2017 and 2016

	2017	2016
Operating Revenue		
Gas Sales	\$ 549,908	\$ 556,472
Less Cost of Gas Sold	(47,238)	(42,691)
Gross Profit on Gas Sales	<u>502,670</u>	513,781
Other Revenue	<u>28,554</u>	12,913
Total Operating Revenue	<u>531,224</u>	526,694
Operating Expenses		
Salaries and Wages	177,001	179,498
Depreciation	92,272	89,573
Employee Benefits and Payroll Taxes	57,706	55,110
Insurance	43,578	35,957
Supplies - Office	33,607	11,352
Vehicle Expense	25,153	14,463
Repairs and Maintenance	19,798	20,624
Other	18,930	22,744
Professional Fees	16,220	26,930
Bad Debt Expense	11,863	8,940
Compliance Expense	11,732	9,859
Director's Expense	8,200	7,750
Telephone	7,216	7,979
Storage	1,037	-
Leak Survey	257	82
Total Operating Expenses	<u>524,570</u>	490,861
Net Operating Income	<u>6,654</u>	35,833
Nonoperating Revenue (Expense)		
Gain (Loss) on Disposal of Capital Assets	9,063	-
Interest Income	166	173
Interest Expense	(4,933)	(8,054)
Total Nonoperating Revenue (Expense)	<u>4,296</u>	(7,881)
Change in Net Position	10,950	27,952
Net Position, Beginning of Year	<u>1,110,410</u>	1,082,458
Net Position, End of Year	<u>\$ 1,121,360</u>	<u>\$ 1,110,410</u>

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Received from Customers	\$ 545,797	\$ 563,130
(Paid) Received for Meter Deposit Fees, Net	(11,863)	1,621
Other Receipts	23,498	18,022
Payments for Operations	(254,572)	(205,994)
Payments to Employees	(235,761)	(233,605)
	<u>67,099</u>	<u>143,174</u>
Cash Flows from Capital and Related Financing Activities		
Payments for Capital Acquisitions	(68,304)	(11,477)
Proceeds from Disposal of Assets	9,820	-
Principal Repayments on Long-Term Debt	(140,888)	(52,139)
Interest Payments on Long-Term Debt	(4,933)	(8,054)
	<u>(204,305)</u>	<u>(71,670)</u>
Cash Flows from Investing Activities		
Interest Received	166	173
	<u>166</u>	<u>173</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(137,040)	71,677
Cash and Cash Equivalents, Beginning of Year	505,438	433,761
Cash and Cash Equivalents, End of Year	<u>\$ 368,398</u>	<u>\$ 505,438</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and Cash Equivalents, Unrestricted	\$ 335,725	\$ 347,610
Cash and Cash Equivalents, Restricted	32,673	157,828
	<u>\$ 368,398</u>	<u>\$ 505,438</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	<u>\$ 5,134</u>	<u>\$ 8,531</u>

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, 2017 and 2016

	2017	2016
Reconciliation of Net Operating Income to Net Cash		
Provided by Operating Activities		
Net Operating Income	\$ 6,654	\$ 35,833
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	92,272	89,573
(Increase) Decrease in:		
Accounts Receivable	(10,268)	(1,044)
Due from Other Governments	(5,056)	5,109
Inventory	6,157	7,702
Prepaid Insurance	(5,304)	85
Increase (Decrease) in:		
Accounts Payable	(4,439)	3,292
Other Accrued Payables	(1,054)	1,003
Customer Deposits	(11,863)	1,621
	<u>67,099</u>	<u>143,174</u>
Net Cash Provided by Operating Activities	\$ 67,099	\$ 143,174

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

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

Notes to Financial Statements

Introduction

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

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

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

Note 1. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

GASB 63, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows or resources, and net position in a statement of financial position and related disclosures. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement No. 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in GASB 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As required by the GASB, the District implemented GASB 63 during the year ended December 31, 2012. The District did not have any deferred outflows of resources or deferred inflows of resources at December 31, 2017 or 2016.

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

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Cash and Cash Equivalents and Investments

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

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

Investments

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

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

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

The District did not have any investments at December 31, 2017 or 2016.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories

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 Items

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: renters \$150 and owners \$100.

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

Description	Estimated Useful Lives
Buildings and Improvements	5 - 20 Years
Equipment	5 - 10 Years
Gas Meters	5 - 20 Years
Gas System	15 - 40 Years

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

Compensated Absences

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

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

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Vacation leave must be taken during the year earned. However, upon termination or retirement, employees are paid for any unused vacation leave earned during the current year. All employees earn one half day of sick leave each month during the year. A total of ten days of sick leave can be accumulated. All accumulated sick leave lapses upon termination. There were no accumulated or vested leave benefits reported by the District in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, as of December 31, 2017 or 2016.

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, 2017 or 2016.

Net Position

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

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

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Cash Equivalents

At December 31, 2017 and 2016, the District had cash and cash equivalents (book balances), as follows:

	2017	2016
Cash on Hand	\$ 200	\$ 200
Demand Deposits	244,059	277,658
Time and Savings Accounts	124,139	227,580
Total	\$ 368,398	\$ 505,438

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.

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

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

At December 31, 2016, the District had \$504,747 in deposits (collected bank balances) consisting of \$249,337 in demand deposits and \$255,410 in time and savings accounts. None of the deposits were exposed to custodial credit risk as all deposits were covered by the FDIC.

Note 3. Investments

Investments are categorized into these three categories of credit risk:

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

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

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

There were no investments held at December 31, 2017 or 2016.

**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, 2017 and 2016:

	Year Ended December 31, 2017		Year Ended December 31, 2016		Increase (Decrease) in Percent
		%		%	
Accounts Receivable					
Current	\$ 75,555	60%	\$ 71,518	68%	-8%
31-60 Days Past Due	10,635	8%	5,898	6%	3%
61-90 Days Past Due	3,462	3%	1,756	2%	1%
Over 90 Days Past Due	36,905	29%	25,936	25%	4%
Subtotal	<u>126,557</u>		<u>105,108</u>		
Allowance for Uncollectible Accounts	<u>(36,905)</u>		<u>(25,041)</u>		
Net Accounts Receivable	<u>89,652</u>		<u>80,067</u>		
Other Receivables					
Unbilled Gas Revenue	3,451		2,604		
Other	<u>1,330</u>		<u>1,494</u>		
Total Other Receivables	<u>4,781</u>		<u>4,098</u>		
Total Receivables, Net	<u>\$ 94,433</u>		<u>\$ 84,165</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 uncollectibility. Bad debt expense of \$11,863 was recorded for the current fiscal year and the allowance for uncollectible accounts was adjusted to \$36,905.

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, 2017 and 2016, accrued billings amounts were \$3,451 and \$2,604, respectively.

Note 5. Restricted Assets

The following is a summary of restricted assets at December 31, 2017 and 2016:

	2017	2016
Customer Deposits	\$ 32,673	\$ 41,428
Bond Reserve Account	-	48,832
Bond Contingency Account	-	67,568
Total Restricted Assets	<u>\$ 32,673</u>	<u>\$ 157,828</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, 2017 and 2016, is as follows:

December 31, 2017	Beginning Balance 12/31/16	Increases	Decreases	Ending Balance 12/31/17
Capital Assets				
Buildings	\$ 15,001	\$ -	\$ -	\$ 15,001
Equipment	243,040	44,289	(20,000)	267,329
Meters	12,440	-	-	12,440
Utility System	2,189,757	24,015	-	2,213,772
Total Capital Assets	2,460,238	68,304	(20,000)	2,508,542
Less Accumulated Depreciation for:				
Buildings	(14,081)	(166)	-	(14,247)
Equipment	(168,027)	(36,538)	19,243	(185,322)
Meters	(12,418)	-	-	(12,418)
Utility System	(1,604,938)	(55,568)	-	(1,660,506)
Total Accumulated Depreciation	(1,799,464)	(92,272)	19,243	(1,872,493)
Total Capital Assets, Net	\$ 660,774	\$ (23,968)	\$ (757)	\$ 636,049
December 31, 2016	Beginning Balance 12/31/15	Increases	Decreases	Ending Balance 12/31/16
Capital Assets				
Buildings	\$ 15,001	\$ -	\$ -	\$ 15,001
Equipment	243,040	-	-	243,040
Meters	12,440	-	-	12,440
Utility System	2,178,757	11,000	-	2,189,757
Total Capital Assets	2,449,238	11,000	-	2,460,238
Less Accumulated Depreciation for:				
Buildings	(13,914)	(167)	-	(14,081)
Equipment	(133,687)	(34,340)	-	(168,027)
Meters	(12,418)	-	-	(12,418)
Utility System	(1,549,872)	(55,066)	-	(1,604,938)
Total Accumulated Depreciation	(1,709,891)	(89,573)	-	(1,799,464)
Total Capital Assets, Net	\$ 739,347	\$ (78,573)	\$ -	\$ 660,774

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

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense totaling \$92,272 and \$89,573 was computed on a straight-line basis for financial statement purposes for the years ended 2017 and 2016, respectively. The purchase of capital assets during 2017 and 2016 included boring costs of \$24,015 and \$11,000, respectively.

Note 7. Long-Term Obligations - United States Department of Agriculture Rural Development Bond

The following is a summary of long-term obligation transactions for the years ended December 31, 2017 and 2016:

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

December 31, 2016	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
Gas Utility Revenue Bond Series 1998	\$ 193,504	\$ -	\$ (52,616)	\$ 140,888	\$ 55,167
Total Long-Term Debt	\$ 193,504	\$ -	\$ (52,616)	\$ 140,888	\$ 55,167

The original issue of \$758,000 of par value Gas Utility Revenue Bonds Series 1998 dated June 1, 1999 is for bonds issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to its gas utility system and to retire the old bond debt (\$376,126). The funds were advanced over a period from June 1999 to October 2000, and totaled \$758,000. The bond debt consisted of one bond payable to the USDA Rural Development secured by a pledge of revenues from the sale of natural gas as of December 31, 2016. There was no outstanding balance for the bond debt as of December 31, 2017.

During the fiscal years ended December 31, 2017 and 2016, respectively, principal payments of \$140,888 and \$52,616 and interest payments of \$4,933 and \$8,054 were made and incurred as interest expense on the gas revenue bonds.

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

Notes to Financial Statements

Note 8. Restricted Net Position

At December 31, 2017 and 2016, respectively, the District had \$3,093 and \$116,385 in restricted net position. Restricted net position (restricted for capital activity and debt service) represents the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects, less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

Note 9. Pension Plan

The District adopted a "Simple IRA" retirement plan on April 4, 2005. The prototype plan provides for participating employees to defer through payroll withholding up to \$11,500 per year. The District agreed to match employee withholdings, up to three percent of each participating employee's wages. Contributions are made each month following the month withholdings are collected. Total pension fund expense was \$2,957 and \$3,177, for the fiscal years ended December 31, 2017 and 2016, respectively.

Note 10. Litigation and Claims

As of December 31, 2017 and 2016, the District was not involved in any litigation or claims.

Note 11. Facilities

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

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

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2017

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 Members is presented in compliance with House Concurrent Resolution Number 54 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of LRS 33:4305.B.[1].

Name and Title Contact Number	Address	Compensation Received	Term Expiration
Robert Paul Givens, Chairman (985) 839-4127	23010 Highway 450 Franklinton, LA 70438	\$ 2,200	12/31/2017
Don Wheat (985) 515-6939	56475 Leonard Seals Road Angie, LA 70426	1,600	12/31/2020
Joseph Felder (985) 966-0858	23642 Highway 25 Franklinton, LA 70438	1,400	12/31/2020
Dock Dyson, Jr. (985) 848-2476	56151 B.B. McKenzie Road Franklinton, LA 70438	1,500	12/31/2018
Dennis Warren (985) 839-6360	47168 Jenkins Road Franklinton, LA 70438	1,500	12/31/2020
		\$ 8,200	

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, 2017

Schedule 2

Agency Head
John Rochester III, Gas Superintendent

Purpose	Amount
Salary	\$54,331
Benefits - Insurance	\$328
Benefits - Retirement	\$1,553
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, 2017 and 2016, 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 19, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 19, 2018

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Part I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

Part III - Compliance and Other Matters

Compliance

None.

Other Matter

Condition: The District's Board approves increases/decreases in rates monthly in response to natural gas market conditions. In its March 2017 meeting, the Board approved raising the base rate to \$6.00 per MCF. In our testing of utility billings, we noted that the March billing had not been updated to the new rate.

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017

2016-001 Line Supply Inventory

This finding has been resolved.

2016-002 Customer Meter Deposits

This finding has been resolved.

2016-003 Inadequate Control over Billing System

This finding 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, 2017 - December 31, 2017

To the Board of Commissioners 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, 2017 to December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Written Policies and Procedures

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

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

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

Management's Response: The District will adopt policies and procedures for all areas noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: During the fiscal year, the District met with a quorum on a monthly basis. We noted that the board minutes included a monthly financial report and that the Board approved bills to be paid for the month. We noted that the District's only fund is an enterprise fund and, as a result, the Local Government Budget Act does not apply. We noted multiple other non-budgetary items referenced. The District did not have a deficit during the year ended December 31, 2017.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Results: We obtained management's representation that the listing provided is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: For the accounts selected, all monthly bank reconciliations were prepared. Bank reconciliations are reviewed by the Board, but we noted no evidence of that review. The District contracts with a local CPA who prepares the bank reconciliations. We noted 4 outstanding items older than 6 months that are totaled \$863.

Management's Response: A board member will sign bank reconciliations at the monthly meeting. The District will investigate outstanding items and will submit them to the Louisiana Secretary of Treasurer's unclaimed property division.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Results: We obtained management's representation that the listing provided is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.*

For each cash collection location selected:

- a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: We noted one cash collection location. We noted that employees responsible for collecting cash were bonded. We noted that the employee who collects cash is not allowed to deposit cash in the bank. We noted that the District has one cash register. A reconciliation to the utility collection records and bank deposit is performed daily. We noted that the bank reconciliation is performed monthly by a contracted CPA. We noted that all collections were deposited within one business day of collection.

7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: The District's contracted CPA reconciles the billing and collection reports to the bank deposits and to the general ledger on a monthly basis.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Results: We obtained management's representation that the listing provided is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: We noted that the District does not use purchase orders or requisitions. Approval is indicated by signature on the invoice. In our testing of 25 disbursements, we noted one disbursement did not have supporting documentation, two disbursements were paid by statement and not invoice, and one invoice was not approved.

Management's Response: The District will institute a procedure that requires purchase orders or requisitions for all purchases. The District will improve review of disbursements and will pay from invoice and not the statement.

10. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: We noted that the District contracts with a CPA to prepare checks and that the CPA adds new vendors which are approved by the Board.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: We noted that the persons with signatory authority have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: We noted that blank check stock is maintained by the CPA with access restriction.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: The District does not use a signature stamp or machine. We noted that signed checks are returned to the office manager for mailing after approval by the Board.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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 management's representation that the listing provided is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: We noted that the District has one debit card. We noted evidence that the monthly combined statement and supporting documentation were reviewed and approved. We noted no finance charges were assessed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: Of 11 items tested, we noted that 3 items did not have supporting documentation and one item was a meal for which the support was not itemized.

Management's Response: Management will improve its review of debit card transactions and ensure that itemized documentation is obtained for each transaction.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: Management indicated that no travel and expense reimbursements occurred during the year ended December 31, 2017.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: This procedure is not applicable as the District did not have any travel and expense reimbursements.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

- Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating.)
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: This procedure is not applicable as there were no travel and expense reimbursements during the year ended December 31, 2017.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: We obtained management's representation that the listing provided is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: We noted a formal/written contract existed for all sampled contracts.

We noted that one of the five contracts was subject to the Louisiana Public Bid Law or Procurement Code. That purchase was made using State Contract.

We noted that the largest payment from each contract agreed to the supporting invoice and contract terms.

We noted that the each contract was approved by the Board.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: We obtained management's representation that the listing provided is complete.

We noted that one of the 5 employee's pay rate was not documented in the personnel file. We noted that that the same employee received a raise during the year that was not documented.

Management's Response: The District will review the personnel files for each employee and ensure that pay rates and pay raises are documented in the personnel file.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: We noted that daily attendance and leave for each employee sampled was documented. We noted the vacation leave request was documented and approved by the supervisor.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: We obtained management's representation that the listing provided is complete. There was only one employee terminated during the year. Termination payments for that employee were made in accordance with policy approved by management.

25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: The District does not participate in a retirement plan. The appropriate employee and employer portions of payroll taxes were submitted to the applicable agencies by the required deadlines for all payroll tax and retirement contribution supporting documentation sampled.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: We noted that for each employee sampled, there was no documentation that they completed the training during the fiscal year.

Management's Response: The District held the training in 2018 and each employee/official attended. The District will ensure that all employees/officials attend the training annually.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: Per our discussion with management, there were no alleged ethics violations during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: We noted that no debt was issued during the year.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: We noted that the District's debt consisted of a loan from the United States Department of Agriculture. We noted that monthly payments were made timely and the District retired the loan during the year.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: We noted that the District has no tax millages relating to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: We noted no instances of misappropriation of public funds or assets, per inquiry with management and the fiscal administrator.

32. Observe and report whether the entity has posted on its premises and website, the notice required by LRS 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We noted the LLA hotline notice per LRS 24:523.1 was not posted on the entrance of the office. The District does not have a website.

Management's Response: The District will post the notice at its office.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: No exceptions were noted in obtained management representations.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

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

A Professional Accounting Corporation

Covington, LA
June 19, 2018