

**GAS UTILITY DISTRICT NO. 1
OF WEST FELICIANA PARISH
St. Francisville, Louisiana**

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED APRIL 30, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board Members of the
Gas Utility District No. 1 of West Feliciana Parish
P. O. Box 2485
St. Francisville, Louisiana 70775

Report to the Financial Statements

We have audited the accompanying financial statements of the Gas Utility District No. 1 of West Feliciana Parish (the District), a component unit of the West Feliciana Parish Government, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of April 30, 2018, and the changes in financial position and cash flows thereof and for the year 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 Management's Discussion and Analysis, on pages 4 through 8, be presented to supplement the 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 audit 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Operating Expenses, the Schedule of Statistical Data, the Schedule of Comparative Data, the Schedule of Compensation Paid to Board Members, and the Schedule of Compensation, Benefits and Other Payments to the Superintendent are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses, the Schedule of Statistical Data, the Schedule of Comparative Data, the Schedule of Compensation Paid to Board Members, and the Schedule of Compensation, Benefits, and Other Payments to the Superintendent are the responsibility of management and was derived from and relate 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, based on our audit, the procedures performed as described above, the Schedule of Operating Expenses, the Schedule of Statistical Data, the Schedule of Comparative Data, the Schedule of Compensation Paid to Board Members, and the Schedule of Compensation, Benefits and Other Payments to the Superintendent are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The Schedule of Insurance in Force and the Schedule of Information Required by Rural Development have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the District'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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 31, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018

This section of the annual financial report of the District presents our discussion and analysis of the District's performance during the fiscal year ended April 30, 2018. It should be read in conjunction with the financial report taken as a whole.

FINANCIAL HIGHLIGHTS

- At April 30, 2018, the District's assets exceeded its liabilities by \$5,509,468.
- The District's net position had an increase of \$655,543 during the year ended April 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

These financial statements are comprised of these components - (1) management's discussion and analysis, (2) proprietary fund financial statements, (3) notes to the financial statements and (4) required supplementary information. There is also other supplementary information contained in this report provided for additional information.

Proprietary funds. The District maintains only one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the functions financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The District uses an enterprise fund to account for its gas services.

Statements include the following:

Statement of Net Position. This statement presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between these reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or not.

Statement of Revenues, Expenses and Changes in Net Position. This statement presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the District's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2018

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's comparison between the current and prior year contained in this section and referred to as management's discussion and analysis.

Other Information. Additionally, this report also presents certain other information that is deemed useful to users of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position is an indicator of the District's financial position from year to year. A summary follows:

Condensed Statement of Net Position
As of April 30th

	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	\$ 3,620,800	\$ 2,866,806
Capital assets, net	<u>5,192,509</u>	<u>5,339,930</u>
Total Assets	8,813,309	8,206,736
Liabilities		
Current liabilities	293,102	245,894
Long-term liabilities	<u>3,010,739</u>	<u>3,106,917</u>
Total Liabilities	3,303,841	3,352,811
Net Position		
Net investment in capital assets	2,173,581	2,242,633
Restricted	1,208,858	1,046,963
Unrestricted	<u>2,127,029</u>	<u>1,564,329</u>
Net Position	<u>\$ 5,509,468</u>	<u>\$ 4,853,925</u>

The District's total net position increased by \$655,543 as of April 30, 2018. The District continued operating on a profitable basis with gas rates increasing in 2018 compared to 2017 due to market conditions. In addition, the increase in gas rates and gas consumption caused total revenues to increase by \$592,743 or 25.3% from the previous year. The District's total expenses saw an increase of \$108,740 or 5.0% compared to 2017. This was predominantly due to the District's purchase of gas was also impacted by the increase in gas rates and gas consumption.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION
FOR THE YEAR ENDED APRIL 30TH

	<u>2018</u>	<u>2017</u>
Revenues		
Operating revenues	\$ 2,923,784	\$ 2,338,817
Non-operating revenues	<u>16,108</u>	<u>8,332</u>
Total Revenues	2,939,892	2,347,149
Expenses		
Operating expenses	2,158,394	2,057,099
Non-operating expenses	<u>125,955</u>	<u>118,510</u>
Total Expenses	2,284,349	2,175,609
Change in net position	655,543	171,540
Net position, beginning of year	<u>4,853,925</u>	<u>4,682,385</u>
Net position, ending of year	<u>\$ 5,509,468</u>	<u>\$ 4,853,925</u>

The District's total operating revenues in 2018 increased by \$584,967 or 25.0% from 2017 as gas rates increased in 2018 due to market conditions. The Districts total operating expenses saw an increase of \$101,295 or 4.9% in 2018 compared to 2017 due to the increase in gas rates.

Cash flow activity of the District for the past two years is as follows:

SUMMARY OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30TH

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents provided by (used for):		
Operating activities	\$ 992,432	\$ 602,491
Capital and related financing activities	(354,716)	(1,360,086)
Investing activities	<u>747</u>	<u>919</u>
Net change in cash and cash equivalents	638,463	(756,676)
Cash and cash equivalents, beginning of year	<u>1,420,180</u>	<u>2,176,856</u>
Cash and cash equivalents, end of year	<u>\$ 2,058,643</u>	<u>\$ 1,420,180</u>

The total cash provided by operating activities in 2018 compared to 2017 increased by \$389,941 due to increase in gas rates charged to customers due to market conditions. The total cash used for capital and related financing activities in 2018 decreased by \$1,005,370 compared to 2017 predominantly due to the District completing construction of the New Office Building and various Gas System Projects during the first quarter of the fiscal period.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: At the end of 2018, the District had \$5,192,509, net of depreciation invested in a broad range of capital assets (See table below). This amount represents a net decrease of \$147,421 or 2.8% from the previous year. The net decrease is due to additions totaling \$150,392 and depreciation of \$297,813, which decreases the carrying value.

Capital assets at year-end are summarized as follows:

CAPITAL ASSETS (Net of Accumulated Depreciation) AS OF APRIL 30 TH		2018	2017
Non-depreciable Assets			
Land	\$	7,500	\$ 7,500
Construction in progress		30,497	608,051
Depreciable Assets			
Buildings		794,480	190,154
Gas distribution system		4,284,447	4,433,870
Equipment		50,355	67,718
Furniture/fixtures		12,885	15,355
Vehicles		12,345	17,282
Capital Assets, net	\$	5,192,509	\$ 5,339,930

The major additions during the year included construction costs of \$101,384 for Miscellaneous Gas System Projects. The decrease in construction in progress is predominantly

Debt Administration: At the end of 2018, the District had \$3,013,798 in outstanding debt compared to \$3,092,058 at the previous period end, see table below. This amount represents a decrease (comprised of predominantly bond and note principal payments) of \$78,260 from the previous year end.

OUTSTANDING DEBT AT YEAR END

	2018	2017
Bonds payable	\$ 2,937,244	\$ 2,989,986
Notes payable	76,554	102,072
Total	\$ 3,013,798	\$ 3,092,058

There was no new debt incurred during the year.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES

The Gas Utility District No. 1 of West Feliciana Parish considered the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1) Long-term debt requirements
- 2) Cost of operations
- 3) Number of customers

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

CONTACTING THE GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations and demonstrate the District's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting the Gas Utility District No. 1 of West Feliciana Parish, P. O. Box 2485, St. Francisville, Louisiana 70775 or 225-635-3590.

FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

STATEMENT OF NET POSITION
APRIL 30, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 710,006
Investments	1,270,349
Accounts receivable, net	212,488
Other receivable	38,450
Prepaid expenses	8,680
Prepaid lease	342
Restricted assets:	
Cash and cash equivalents	1,348,637
Total current assets	<u>3,588,952</u>
Noncurrent assets:	
Prepaid lease	31,848
Capital assets, net of depreciation	5,192,509
Total noncurrent assets	<u>5,224,357</u>
Total assets	<u>8,813,309</u>

LIABILITIES

Current liabilities:	
Payable from current assets:	
Accounts payable	90,063
Unearned revenues	82,907
Accrued salaries and benefits payable	18,957
Notes payable, short-term portion	25,518
Compensated absences, short-term portion	15,928
Total current liabilities (payable from current assets)	<u>233,373</u>
Payable from restricted assets:	
Accrued interest payable	5,130
Bonds payable, short-term portion	54,599
Total current liabilities (payable from restricted assets)	<u>59,729</u>
Noncurrent liabilities:	
Compensated absences	20,186
Customer deposits	56,872
Notes payable-LA Dept. of Transportation & Development	51,036
Bonds payable	2,882,645
Total noncurrent liabilities	<u>3,010,739</u>
Total liabilities	<u>3,303,841</u>

NET POSITION

Net investment in capital assets	2,173,581
Restricted for bond related payments	1,208,858
Unrestricted	2,127,029
Total net position	<u>\$ 5,509,468</u>

The accompanying notes are an integral part of this financial statement.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2018

OPERATING REVENUE

Charges for services:	
Gas sales	\$ 2,837,729
Penalties/late charges	1,672
Other	84,383
Total operating revenues	<u>2,923,784</u>

OPERATING EXPENSES

Administrative	197,050
Depreciation	297,813
Employees and related expenses	420,639
Gas purchases	1,180,304
Occupancy	62,588
Total operating expenses	<u>2,158,394</u>

Operating income 765,390

NON-OPERATING REVENUES (EXPENSES)

Interest income	16,108
Interest expense	<u>(125,955)</u>
Total non-operating revenues/(expenses)	<u>(109,847)</u>

Change in net position 655,543

Net position, beginning of year 4,853,925

Net position, end of year \$ 5,509,468

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2018

Cash flows from operating activities:	
Cash received from customers	\$ 2,776,011
Cash paid to suppliers for goods/services	(1,402,221)
Cash paid to employees for services	(427,291)
Cash received from others	45,933
Net cash provided by operating activities	<u>992,432</u>
Cash flows from capital and related financing activities:	
Principal paid on notes payable	(25,518)
Principal paid on bonds payable	(52,742)
Interest paid on bond issuance and notes payable	(126,064)
Acquisition/construction of capital assets	(150,392)
Net cash used for capital and related financing activities	<u>(354,716)</u>
Cash flows from investing activities:	
Interest received	16,108
Investments matured/reinvested	(15,361)
Net cash provided by investing activities	<u>747</u>
Net increase in cash and cash equivalents	638,463
Cash and cash equivalents, beginning of year	<u>1,420,180</u>
Cash and cash equivalents, end of year	<u>\$ 2,058,643</u>
Classified as:	
Current	\$ 710,006
Restricted	1,348,637
Total:	<u>\$ 2,058,643</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 765,390
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	297,813
Bad debt expense	130
(Increase)/decrease in assets:	
Accounts receivable	(64,717)
Other receivable	(38,450)
Prepaid expenses	2,867
Increase/(decrease) in liabilities:	
Accounts payable	(48,053)
Accrued salaries and benefits payable	5,004
Unearned revenues	82,907
Customer deposits	1,197
Compensated absences payable	(11,656)
Net cash provided by operating activities	<u>\$ 992,432</u>

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Gas Utility District No. 1 of West Feliciana Parish (hereinafter referred to as the District), located in St. Francisville, Louisiana, was created by the West Feliciana Parish Government as allowed under Louisiana Revised Statutes 33:4301-4308. Eleven commissioners, seven of which are appointed by the West Feliciana Parish Government, two by the Town of St. Francisville, one by the warden of the Louisiana State Penitentiary (Louisiana Department of Public Safety) and one by the chief executive officer of the Eastern Louisiana Mental Health System (Louisiana Department of Health and Hospitals), govern it. Serving approximately 380 customers, it was created to provide natural gas services to the citizens of West Feliciana Parish residing within its boundaries.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The District is considered a component unit of West Feliciana Parish Government. The accompanying financial statements of the District present information only as to the transactions of the programs of the District as authorized by Louisiana statutes and administrative regulations. These financial statements do not include the transactions or activities of the West Feliciana Parish Government. The District's financial statements follow the guidance mentioned in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District accounts for its activities in an enterprise fund. An enterprise fund is accounted for on an economic resources measurement focus. The fund is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the accounting period incurred, if measurable. Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services provided in connection with the District's principal operations. Operating expenses include the cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U.S. Treasury and U.S. Agencies, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date.

Accounts Receivable

All receivables are recognized based on the monthly amounts billed for gas consumption of District customers. The allowance for uncollectible accounts is based on management's estimate of the collectability of the receivables based on current economic conditions, experience, and other relevant factors. Accounts receivable are recorded net of an allowance of uncollectible accounts of \$2,356 at April 30, 2018.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position.

Restricted Assets

Based upon certain bond covenants, the District is required to establish and maintain prescribed amounts of resources (consisting of investments) in special funds that can be used only to service outstanding debt. These assets are classified as restricted assets on the statement of net position because their use is limited. Also included in restricted assets are customer deposits that were paid during the initial account opening.

Capital Assets

Capital assets are recorded at cost and do not purport to represent replacement or realizable values. The cost of depreciable property is charged to earnings over the estimated useful lives of the assets. Maintenance and repairs expenditures are charged to expense as incurred. Additions, renewals, and betterments that extend the life, or increase the value of assets, are capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The threshold for capitalizing assets is \$5,000. Depreciation is computed using the straight-line method of depreciation over the following lives – buildings 39 years; gas distribution system 33 years; equipment 7 years; furniture/fixtures 7 years; and vehicles 5 years.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The District allows annual leave to regular full-time employees based on length of service. No leave is earned, however, while on suspension or leave without pay status. Annual leave may be carried over to the next calendar year. There is no limit on the amount of annual leave an employee may accumulate during the term of his/her employment, but it is with an understanding that only a maximum of 480 hours will be paid to the employees upon retirement or separation unless approved by the Board Members of the District. Employees are not paid for their unused annual leave at year-end, but are paid for accumulated, unused leave upon termination.

The District's regular full-time employees earn a certain amount of sick leave each year, depending upon the length and their employment status. Unused sick leave is not to exceed 960 hours. Upon separation of employment, excluding retirement, no sick leave shall be paid to employees. The balance of the sick leave shall be kept on the schedule for a period of five years and reinstated if the employee is rehired.

Customer Deposits

The District requires a customer deposit upon initial account opening for use of the District-owned gas meter at each residence or business. The District must hold the deposit until the customer's account is closed and at that time the deposit is returned to the customer.

Net Position

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position. The District does not have any deferred outflows or deferred inflows at April 30, 2018.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position reflects net position when there are limitations imposed on a net position's use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. 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.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, as applied to the governmental fund statements. In addition to identifying which items should be reported in these new categories in proprietary fund, fiduciary fund, government-wide statements of net position and governmental fund balance sheets, GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

Estimates

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

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits with Financial Institutions

Cash and cash equivalents include demand deposits at local financial institutions with a carrying value of \$2,058,643 at April 30, 2018. Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of April 30, 2018, the District's bank balances of these deposits totaled \$2,063,204 and were fully collateralized by assets held by a financial institution in the name of the District or FDIC insured and therefore was not exposed to custodial credit risk.

Of the cash and cash equivalents included above, \$56,872 is restricted for customer deposits, \$82,907 for grant funded construction project, and \$1,208,858 is restricted for bond-related payments per the regulations of the bond issue.

Investments

As of April 30, 2018, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Investments measured at the net asset value (NAV)	
External investment pool	\$ <u>1,270,349</u>

The \$1,270,349 in investments is invested in LAMP. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.
- Concentration of credit risk: The District does not have a limit on the amount the District may invest in one issuer. One hundred percent of the District's investments are in LAMP funds.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Investments (continued)

- Foreign currency risk: Not applicable. LAMP complies with the provisions of Louisiana Law concerning permissible investments for municipalities, parishes and other political subdivisions set for in La R.S. 33:2955 and the investment policy does not provide for investment in foreign obligations.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

3. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at April 30, 2018:

Charges for services	\$ 214,844
Allowance for uncollectable accounts	<u>(2,356)</u>
Total	<u>\$ 212,488</u>

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

4. CAPITAL ASSETS

The following is a summary of the changes in capital asset for the District for the year ended April 30, 2018:

	Balance <u>4/30/17</u>	Additions	Transfers	Balance <u>4/30/18</u>
Capital Assets, not being depreciated				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Construction in Progress	<u>608,051</u>	<u>30,497</u>	<u>(608,051)</u>	<u>30,497</u>
Capital Assets, not being depreciated	615,551	30,497	(608,051)	37,997
Capital Assets, being depreciated				
Buildings	200,664	18,511	608,051	827,226
Less: accumulated depreciation	<u>(10,510)</u>	<u>(22,236)</u>	<u>-</u>	<u>(32,746)</u>
Net Buildings	190,154	(3,725)	608,051	794,480
Gas distribution system	7,807,661	101,384	-	7,909,045
Less: accumulated depreciation	<u>(3,373,791)</u>	<u>(250,807)</u>	<u>-</u>	<u>(3,624,598)</u>
Net Distribution System	4,433,870	(149,423)	-	4,284,447
Equipment	219,229	-	-	219,229
Less: accumulated depreciation	<u>(151,511)</u>	<u>(17,363)</u>	<u>-</u>	<u>(168,874)</u>
Net Equipment	67,718	(17,363)	-	50,355
Furniture/fixtures	19,031	-	-	19,031
Less: accumulated depreciation	<u>(3,676)</u>	<u>(2,470)</u>	<u>-</u>	<u>(6,146)</u>
Net Furniture/fixtures	15,355	(2,470)	-	12,885
Vehicles	92,779	-	-	92,779
Less: accumulated depreciation	<u>(75,497)</u>	<u>(4,937)</u>	<u>-</u>	<u>(80,434)</u>
Net Vehicles	<u>17,282</u>	<u>(4,937)</u>	<u>-</u>	<u>12,345</u>
Capital Assets, being depreciated, net	<u>4,724,379</u>	<u>(177,918)</u>	<u>608,051</u>	<u>5,154,512</u>
Capital Assets, net	<u>\$ 5,339,930</u>	<u>\$ (147,421)</u>	<u>\$ -</u>	<u>\$ 5,192,509</u>

Depreciation expense was \$297,813 for the year ended April 30, 2018.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

5. LONG-TERM LIABILITIES

a. Activities

Long-term liabilities activity of the District for the year ended April 30, 2018 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Bonds Payable	\$ 2,989,986	\$ -	(\$ 52,742)	\$ 2,937,244	\$ 54,599
Notes Payable	102,072	-	(25,518)	76,554	25,518
Compensated Absences	47,770	12,902	(24,558)	36,114	15,928
Customer Deposits	<u>55,675</u>	<u>2,700</u>	<u>(1,503)</u>	<u>56,872</u>	<u>-</u>
	<u>\$ 3,195,503</u>	<u>\$ 15,602</u>	<u>(\$ 104,321)</u>	<u>\$ 3,106,784</u>	<u>\$ 96,045</u>

b. Bonds and Notes Payable

The District was approved to issue Series 2008 Utility Revenue Bonds in the amount of \$2,790,000 to fund a gas line replacement/improvement project. The bonds will mature over a period of 40 years and bear interest at a rate of 4.25%. The balance at April 30, 2018, was \$2,496,452. The District has pledged future gas customer revenues, net of specified operating expenses, to repay the bonds. The bonds are payable solely from gas customer net revenues and are payable through 2049. Annual principal and interest payments are estimated to require approximately five percent of net revenues. The total principal and interest to be paid on the bonds is \$4,443,978. Principal and interest paid for the year and total customer net revenues were \$146,642 and \$2,923,784, respectively.

The District was approved to issue Series 2009 Utility Revenue Bonds in the amount of \$535,000 for additional funding for a gas line replacement/improvement project. The bonds will mature over a period of 30 years and bear interest at a rate of 4.25%. The balance at April 30, 2018, was \$440,792. The District has pledged future gas customer revenues, net of specified operating expenses, to repay the bonds. The bonds are payable solely from gas customer net revenues and are payable through 2040. Annual principal and interest payments are estimated to require approximately one percent of net revenues. The total principal and interest to be paid on the bonds is \$676,529. Principal and interest paid for the year and total customer net revenues were \$32,164 and \$2,923,784, respectively.

Based on an agreement with the Louisiana Department of Transportation and Development executed on September 10, 1985, and pursuant to the provisions of La RS 48:381 (C), the District owed \$255,181 for its share of line relocation costs on the Angola-Bains Highway. The total project costs \$293,514 which was paid by the La DOTD, but the District was responsible for 86.94% of it. These are noninterest bearing notes. However, the District has applied an effective interest rate of 4.25% to the note. An agreement was made with the La DOTD to repay 10% per year beginning with the fiscal year ending April 30, 2012. With installments of \$25,518 paid annually, this loan will be fully paid during the fiscal year ending April 30, 2022. The balance at April 30, 2018, was \$76,554.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

5. **LONG-TERM LIABILITIES** (continued)

b. **Bonds and Notes Payable** (continued)

Principal and interest payments are due as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 80,117	\$ 124,207	\$ 204,324
2020	82,484	121,840	204,324
2021	84,953	119,371	204,324
2022	62,010	116,796	178,806
2023	64,698	114,108	178,806
2024 - 2028	368,058	525,972	894,030
2029 - 2033	455,031	438,999	894,030
2034 - 2038	562,556	331,474	894,030
2039 - 2043	558,538	207,921	766,459
2044 - 2048	651,008	82,203	733,211
2049	44,345	372	44,717
	<u>\$ 3,013,798</u>	<u>\$ 2,183,263</u>	<u>\$ 5,197,061</u>

6. **LEASES**

The District entered into a 99-year lease for property on West Feliciana Parkway in St. Francisville for an annual payment of \$342. The full lease value of \$33,900 was paid during 2014. The balance of the prepaid lease at April 30, 2018, was \$32,190.

Effective July 1, 2015, the District began the lease of a building from the West Feliciana Parish Government on a month-to-month basis at a rate of \$900 per month. The District completed construction of its new building during May of 2018 and the building was placed in service on June 1, 2018. Therefore, the District recorded one month of rent for the leased building in the amount of \$900 during the year ended April 30, 2018.

7. **RETIREMENT PLAN**

The District offers a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) to all employees of the District, who have received a least \$5,000 in compensation during the previous calendar year through Oppenheimer Funds. The District may make a non-elective contribution equal to 3% of compensation for the year to the SIMPLE individual retirement account of qualifying employees. The District's contributions to the plan for the year ended April 30, 2018 were \$7,350.

8. **CONCENTRATIONS**

The District provides natural gas services to two customers totaling 91% of annual sales. Sales of \$801,617 to the East Louisiana State Hospital accounted for 28% of total sales and sales of \$1,795,448 to Louisiana State Penitentiary accounted for 63%.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

9. COMMITMENTS

The District is a member of the Louisiana Municipal Gas Authority (hereinafter referred to as the Authority). As a member of the Authority, the District agrees to purchase all of its natural gas for resale to its customers through the Authority's gas distribution system. The Authority prepares an annual budget that includes an estimate of all of the Authority's operations, maintenance and general expenses relating to the operation and conduct of the business of the Authority during the year. The total amount set forth in this budget is paid monthly by each member of the Authority based on a percentage of each member's cost of gas. This contract was executed for a ten-year period, but it can be terminated by either party by giving written notice to the other party at least six months prior to termination. The District has estimated a commitment to the Authority of approximately \$1,100,000 for the subsequent period.

At April 30, 2018, the District had construction commitments of approximately \$114,000 for debris removal and minor repairs for damage sustained in the South Louisiana Flood of 2016.

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF OPERATING EXPENSES
YEAR ENDED APRIL 30, 2018

ADMINISTRATIVE

Billing service	\$ 1,454
Board meetings/travel	1,129
Office and supplies	18,896
Official publications	408
Professional fees	70,247
Bad debt	130
Engineering and legal fees	60,088
Repairs and maintenance	23,337
Truck expense	19,721
Taxes and licenses	1,640
Total administrative	<u>197,050</u>

DEPRECIATION

297,813

EMPLOYEE AND RELATED EXPENSES

Drug testing expense	764
Group insurance/workers' comp	70,920
Payroll taxes	24,083
Retirement	7,350
Salaries and per diem	312,330
Uniforms	5,192
Total employee and related expenses	<u>420,639</u>

GAS PURCHASES

1,180,304

OCCUPANCY

Insurance	52,097
Telephone	4,820
Rent	900
Utilities	4,771
Total occupancy	<u>62,588</u>

Total operating expenses \$ 2,158,394

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LA

SCHEDULE OF STATISTICAL DATA
YEAR ENDED APRIL 30, 2018

Month	Purchases		Cost per MMBTU	Sales
	MMBTU	Amount		
May	17,744	\$ 75,824	\$ 4.27	\$ 155,209
June	15,255	67,135	4.40	128,326
July	14,510	61,075	4.21	157,961
August	14,929	61,299	4.11	133,135
September	15,116	61,874	4.09	138,606
October	20,480	76,584	3.74	166,209
November	27,943	106,831	3.82	227,068
December	47,066	176,106	3.74	365,595
January	54,755	189,127	3.45	616,320
February	27,867	127,647	4.58	291,824
March	26,410	94,128	3.56	240,074
April	23,732	82,674	3.48	217,402
Total Purchases	<u>305,807</u>	<u>\$ 1,180,304</u>	Total Sales	<u>\$ 2,837,729</u>

See Independent Auditors' Report.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF COMPARATIVE DATA
YEAR ENDED APRIL 30, 2018

	<u>2018</u>	<u>2017</u>
SUMMARY OF REVENUES AND EXPENSES		
Operating revenues	\$ 2,923,784	\$ 2,338,817
Cost of revenues - gas purchases	<u>(1,180,304)</u>	<u>(958,353)</u>
Gross Profit	<u>1,743,480</u>	<u>1,380,464</u>
Other operating expenses	(680,277)	(822,270)
Depreciation	<u>(297,813)</u>	<u>(276,476)</u>
Operating Income	<u>765,390</u>	<u>281,718</u>
Non-operating revenues	16,108	8,332
Non-operating expenses	<u>(125,955)</u>	<u>(118,510)</u>
Change in Net Position	<u>\$ 655,543</u>	<u>\$ 171,540</u>
OTHER DATA		
Capital assets, net of accumulated depreciation	\$ 5,192,509	\$ 5,339,930
Net working capital	\$ 3,295,850	\$ 2,588,722
Total assets	\$ 8,813,309	\$ 8,206,736
Long-term liabilities	\$ 3,010,739	\$ 3,106,917
Total net position	\$ 5,509,468	\$ 4,853,925
Average no. of customers	377	376
Total gas purchased and sold (MMBTU)	305,807	260,383

See Independent Auditors' Report.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
YEAR ENDED APRIL 30, 2018

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, this schedule of compensation paid to board members is presented for the year ended April 30, 2018.

<u>Board Member</u>	<u>Address</u>	<u>Phone</u>	<u>Compensation</u>
Kevin Beauchamp	5916 Hwy 966, St. Francisville, LA 70775	225-933-0006	\$ 1,059
Neil Wright	5378 Live Oak Dr., St Francisville, LA 70775	225-721-1561	786
Kristi Hawkins	4367 Smith Acres Ln., Fordoche, LA 70732	925-348-5758	562
Bess Kelley	PO Box 430, St. Francisville, LA 70775	225-635-6207	490
Dennis Neal	7638 Tunica Trace, St. Francisville, LA 70775	225-721-8188	215
David Norwood	7764 Highland Rd., St. Francisville, LA 70775	225-635-6656	762
Terry Osterberger	12321 Hwy 965, St. Francisville, LA 70775	225-635-3956	687
C.B. Owen	PO Box 1368, St. Francisville, LA 707775	225-245-4464	1,026
Glenn Thomas	9441 Sligo Rd., St. Francisville, LA 70775	225-784-9080	972
Leonard White	7459 Solitude Rd., St. Francisville, LA 70775	225-937-2216	388
Total			<u>\$ 6,947</u>

See Independent Auditors' Report.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO THE SUPERINTENDENT
YEAR ENDED APRIL 30, 2018

Superintendent Name: Clay Hardouin

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 76,631
Benefits-insurance	11,205
Benefits-retirement	1,844
Cell phone	455
Dues	520
Total	<u>\$ 90,655</u>

See Independent Auditors' Report.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
YEAR ENDED APRIL 30, 2018
(UNAUDITED)

<u>Policy No #</u>	<u>Expiration Date</u>	<u>Company</u>	<u>Coverage</u>	
02-LX-024058454-0	5/16/17 - 5/16/18	Willis of New Hampshire	General Liability	\$2,000,000 complete operations \$100,000 damage to premises \$5,000 medical each person \$1,000,000 personal injury \$2,000,000 general aggregate
02-CA-064597636-0	5/16/17 - 5/16/18	Willis of New Hampshire	Auto	\$1,000,000 each accident \$1,000,000 uninsured motorist
3680-S	11/15/17 - 11/15/18	Louisiana Workers' Compensation Corporation	Workers Compensation	\$1,000,000 each accident \$1,000,000 disease each employee \$1,000,000 disease policy limit
105792182	5/15/2016 - 5/18/19	Travelers Indemnity Company	Directors and Officers Liability	\$2,000,000 for all claims

See Independent Auditors' Report.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF INFORMATION REQUIRED BY RURAL DEVELOPMENT
YEAR ENDED APRIL 30, 2018
(UNAUDITED)

Item No. 1

The District's customers' accounts receivable at April 30, 2018, is comprised of the following:

	<u>0-30 days</u>	<u>31+ days</u>	<u>Total</u>
No.	301	76	377
Amount	\$213,902	\$ 942	\$214,844

Item No. 2

The number of active residential and non-residential users at April 30, 2018, is 356 and 21, respectively.

See Independent Auditors' Report.

OTHER REPORTS

INDEPENDENT AUDITORS' 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*

Board Members of the
Gas Utility District No. 1 of West Feliciana Parish
P. O. Box 2485
St. Francisville, Louisiana 70775

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Gas Utility District No. 1 of West Feliciana Parish (the District), a component unit of West Feliciana Parish Government, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 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 opinion 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiency, noted as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gas Utility District No. 1 of West Feliciana Parish's Response to Finding

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

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 31, 2018

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED APRIL 30, 2018

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

_____ yes x no

 x yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes x no

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED APRIL 30, 2018

B. Findings – Financial Statement Audit

2018-001

Segregation of Duties

Criteria:

Adequate segregation of duties ensure that there is oversight and review to correct errors and limit the opportunity for fraud and theft.

Condition:

The following segregation of duties matters were identified:

- The business manager reconciles cash collections to the general ledger and collects cash when the administrative assistant is not present.
- The business manager initiates, approves, and is responsible for making the purchase of office supplies.
- The business manager processes payments and can add or modify vendor files.

Cause:

The limited size of the District's business department makes it difficult to achieve an optimum segregation of duties.

Effect:

The lack of segregation of the identified duties increase the risk of error and that assets could be misappropriated and the misappropriation would not be identified timely.

Recommendation:

The District should have another employee verify the cash collection reconciliations, approve the purchases of office supplies, and review changes to the vendor files.

View of Responsible Official:

The District will review and adjust the identified segregation of duties matters to strengthen the system of internal control.

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH
ST. FRANCISVILLE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

B. Findings – Financial Statement Audit

2017-001

Capital Assets

Criteria:

A strong control environment should ensure that the District maintains accurate records of capital assets, which reflect assets acquired and disposed of and the cost of these items.

Condition:

The capital assets records were not properly reconciled to the general ledger accounts. This has been reported as a material weakness in internal controls.

Cause:

The District did not initially include approximately \$313,000 of capital assets purchases in the provided schedules.

Effect:

There was a lack of relevant financial data provided to the Board Members of the District to make business decisions. Also, there were significant adjustments proposed to the capital assets records provided during the audit.

Recommendation:

The process for recording capital assets should be enhanced to ensure that all capital assets are included in the records.

View of Responsible Official:

On a monthly basis, the Superintendent will review the detailed general ledger of the repairs and maintenance account to determine if the transactions need to be posted as fixed assets.

Current status:

The District has implemented the planned corrective action plan as identified above. Thus, the finding is considered resolved.

Gas Utility District #1

Of West Feliciana Parish

P.O. Box 2485

St. Francisville, Louisiana 70775

(225) 635-3590

(225) 635-2255 Fax

CORRECTIVE ACTION PLAN

October 31, 2018

The Gas Utility District No.1 of West Feliciana Parish respectfully submits the following corrective action plan for the year ended April 30, 2018.

Name and address of independent public accounting firm:

Postlethwaite & Netterville, APAC
8550 United Plaza Blvd.
Suite 1001
Baton Rouge, LA 70809

Audit Period: May 1, 2017 to April 30, 2018

The findings from the schedule of findings and recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and recommendations.

FINDINGS – SCHEDULE OF FINDINGS AND RECOMMENDATIONS

2018-001

Segregation of Duties

Condition:

The following segregation of duties matters were identified:

- The business manager reconciles cash collections to the general ledger and collects cash when the administrative assistant is not present.
- The business manager initiates, approves, and is responsible for making the purchase of office supplies.
- The business manager processes payments and can add or modify vendor files.

Recommendation:

The District should have another employee verify the cash collection reconciliations, approve the purchases of office supplies, and review changes to the vendor files.

Planned Corrective Action:

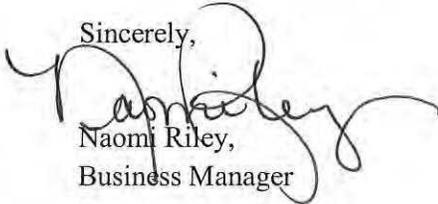
The District will review and adjust the identified segregation of duties matters to strengthen the system of internal control.

Anticipated Completion Date: April 30, 2019

Responsible Contact Person: Naomi Riley, Business Manager

If there are questions regarding this plan, please call Naomi Riley at (225) 635-3590.

Sincerely,

A handwritten signature in black ink, appearing to read 'Naomi Riley', with a large, stylized flourish extending to the right.

Naomi Riley,
Business Manager

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH

REPORT TO MANAGEMENT

APRIL 30, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH

REPORT TO MANAGEMENT

APRIL 30, 2018

October 31, 2018

Board Members of the
Gas Utility District No. 1 of West Feliciana Parish
St. Francisville, Louisiana

In planning and performing our audit of the financial statements of the Gas Utility District No. 1 of West Feliciana Parish (the District) as of and for the year ended April 30, 2018, we considered the District's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for improving financial reporting and refining policies and procedures. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 31, 2018 on the financial statements of the District.

A. Documentation of Investment Policy

Condition:

The District currently does not have a documented accounting policy for investments.

Recommendation:

The District should consider establishing written policies and procedures for investments.

Management's Response:

The District is in the process of documenting an investment policy.

B. Enhancement of Policies and Procedures

Condition:

During the performance of our statewide agreed-upon procedures engagement, we reviewed several control and compliance areas including those pertaining to maintenance of written policies and procedures. Certain of these areas were identified as having opportunities for improvement.

Recommendation:

While the District maintains written policies and procedures over most transactions and significant areas, it was noted that these written policies and procedures could be strengthened to reflect certain best practices as recommended by the legislative auditor, particularly those regarding budgeting, contracting, travel expenses, ethics, debt service, and reporting of fraud and waste.

B. Enhancement of Policies and Procedures (continued)

Management's Response:

The District's policies will be modified to address the recommendation above.

C. Documentation of Process Reviews

Condition:

The District's management has communicated to us that there are controls in place for the review of the Superintendent's timesheet and discrepancy adjustments to customer accounts. We corroborated that the controls were in place during our audit procedures. However, we noted that these reviews are not evidenced by the signing or initialing the documents or utilizing any form of documentation of review.

Recommendation:

We recommend that the review of the Superintendent's timesheet and discrepancy adjustment to customer accounts be evidenced on the documents themselves or the use of an end of month/quarter checklist indicating the date of the review and the person that performed the review.

Management's Response:

We concur with the recommendation above.

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the District staff for their patience and cooperation with us during the performance of the audit.

Postlethwaite & Netterville

STATUS OF PRIOR YEAR REPORT TO MANAGEMENT

A. Documentation of Accounting Policies

Condition:

The District currently does not have documented accounting policies for capitalized assets and investments.

Recommendation:

The District should consider establishing written policies and procedures for the accounting functions identified above.

Management's Response:

The District is in the process of documenting the policies and procedures identified above.

Current Status:

The District has documented an accounting policy for capital assets; however, a policy is not documented for investments. See current year management letter point "A".

B. Employer Provided Vehicle

Condition:

It was noted during our audit testing, the District provides the Superintendent a vehicle that is used for business and personal use. The Superintendent does keep a log of the mileage for documenting the use of the vehicle. However, the log is not reviewed for accuracy and reasonableness.

Recommendation:

A Board Member of the District should review the log for accuracy and reasonableness and document this review by initialing or signing the vehicle log. Personal use of the District provided vehicle is considered to be a fringe benefit a form of "non-cash" compensation. The District should report the value of the personal use of the vehicle in the Superintendent's Form W-2.

Management's Response:

The District will implement procedures to ensure review of the vehicle log. Also, the District will consider the reporting of the personal use of the vehicle on the Superintendent's Form W-2.

Current Status:

The District has implemented the management's response above. Therefore, the identified improvement is considered resolved.

C. Allowance for Doubtful Accounts

Condition:

The allowance for doubtful accounts remained at the same level as the prior year for a significant portion of the 2017 year.

Recommendation:

The District should review the adequacy of the allowance during the year and appropriately adjust the allowance. This can be done by conducting an overall evaluation of the accounts and reviewing the success rate of collection efforts.

Management's Response:

Management agrees with the recommendation and will establish procedures to ensure that the allowance for doubtful accounts is reviewed on a periodic basis.

Current Status:

The District has implemented the recommendation above. Thus, the matter is considered resolved.

D. Adhere to Capitalization Policy

Condition:

Our audit procedures disclosed that capital expenditures less than the \$5,000 capitalization threshold have been capitalized in several cases during the year. This is not in accordance with the District's capitalization policy, which requires that only asset purchases of greater than \$5,000 be recorded as fixed assets.

Recommendation:

We recommend that the District adhere to its capitalization policy so there is consistent application of the capitalization of fixed assets within the organization.

Management's Response:

Management agrees with the recommendation and will establish procedures to ensure the capitalization policy is adhered to.

Current Status:

The District implemented the above recommendation during the third quarter of the fiscal period. Thus, the matter is considered resolved.

GAS UTILITY DISTRICT NO. 1
OF WEST FELICIANA PARISH

REPORT ON STATEWIDE
AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL
AREAS

FOR THE YEAR ENDED APRIL 30, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

**GAS UTILITY DISTRICT NO.1
OF WEST FELICIAN PARISH**

**STATEWIDE AGREED UPON PROCEDURES
ON CONTROL AND COMPLIANCE AREAS**

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Management's Response and Corrective Action Plan

Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended 2018

To Board of Directors of the Gas Utility District No. 1 of West Feliciana Parish and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Gas Utility District No. 1 of West Feliciana Parish (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 May 1, 2017 through April 30, 2018. The Gas Utility District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the District.

Written Policies and Procedures

1. Obtain and inspect the District's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the District's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

The District's policy does not include monitoring or 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.

No exceptions noted.

- c) **Disbursements**, including processing, reviewing, and approving

No exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- 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.

The District does not have a written policy for Contracting.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No exceptions noted.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The District has a written policy for Travel and Expense Reimbursement; however, it does not include (2) dollar thresholds by category of expense.

- 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 District's ethics policy.

The District does not have a written policy for Ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District does not have a written policy for Debt Service.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the District's collections during the fiscal period.*

0 out of 12 months referenced budget to actual comparisons.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Procedure is not applicable to the District. The District does not have a general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the District's main operating account. Select the District's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of bank accounts was provided and included a total of 6 bank accounts. Management identified the District's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, 5 bank accounts were selected (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending February 28, 2018, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 deposit site and performed the procedures below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the District's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

For 1 the location selected for our procedures, 2 employees share the same the cash drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

For the 1 collection selected, the business manager collects cash when the administrative assistant is not there and the business manager also is responsible for reconciling cash collections.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected two deposit dates for the main operating bank account selected in procedure #3, as this is the only bank account that deposits from cash collections are made. We obtained supporting documentation for each of the deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the sole location and performed the procedures below.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

Review of the District's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

For the 1 location selected for our procedures, a single employee initiates purchase requests, approves purchases, and is responsible for placing / making purchases.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

For the 1 location selected for our procedures, the person processing payments was not prohibited from adding / modifying vendor files. The same employee is responsible for periodic review of vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

- 10. For each location selected under #8 above, obtain the District's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

For the 5 disbursements selected for our procedures, a single employee initiated the purchase request, approved the purchase and placed / made the purchase.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of cards was provided. No exceptions were noted as a result of performing this procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

From the listing provided, we randomly selected 5 cards (1 debit card and 4 fuel cards, the District only had one non-fuel card to test) used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [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.]

No exceptions noted.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We selected all 5 transactions for the debit card selected in procedure #12 (4 fuel cards excluded) and performed the specified procedures. (2) 0 out of 5 transactions had documentation that states a business/purpose that is appropriate for use.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Of the 5 reimbursements selected for our procedures, 5 used a per diem. No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

One of the 5 employee selected time record was not approved.

- c) Observe that any leave accrued or taken during the pay period is reflected in the District's cumulative leave records.

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the sole employee receiving termination payments and performed the specified procedures. No exceptions noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

5 of 5 employees tested did not complete ethics training during the year.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

For all 5 employees/officials selected for our procedures, signature verification evidencing that the employee/official had read the District's ethics policy during the fiscal period could not be obtained, as the District does not have a formal written ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

No debt issued during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

A listing of bonds/notes outstanding at the end of the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 1 bond/note and performed the specified procedures. No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the District reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the District is domiciled.

Per inquiry of management, no such instances occurred.

24. Observe that the District has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice was not posted on the District's premises or website.

Corrective Action

25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See attached Corrective Action Plan.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Sincerely,

Postlethwaite & Netterville

Baton Rouge, Louisiana

October 31, 2018

Gas Utility District #1

Of West Feliciana Parish

P.O. Box 2485

St. Francisville, Louisiana 70775

(225) 635-3590

(225) 635-2255 Fax

CORRECTIVE ACTION PLAN

STATE LEGISLATIVE AUDITOR AGREED UPON PROCEDURES

October 31, 2018

The Gas Utility District No. 1 of West Feliciana Parish respectfully submits the following corrective action plan for the year ended April 30, 2018.

Postlethwaite & Netterville, APAC
8550 United Plaza Blvd.
Suite 1001
Baton Rouge, LA 70809

Period: May 1, 2017 to April 30, 2018

Written Policies and Procedures

1. Obtain and inspect the District's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the District's operations):

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

The District's policy does not include monitoring or amending the budget.

Planned Corrective Action: The District will develop written policies to include monitoring or amending the budget.

- 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.

The District does not have a written policy for Contracting.

Planned Corrective Action: The District will develop written policies to include all matters for Contracting.

- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The District has a written policy for Travel and Expense Reimbursement; however, it does not include (2) dollar thresholds by category of expense.

Planned Corrective Action: The District will develop written policies for Travel and Expense Reimbursement to include dollar thresholds by category of expense.

- 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 District's ethics policy.

The District does not have a written policy for Ethics.

Planned Corrective Action: The District will develop written policies for Ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District does not have a written policy for Debt Service.

Planned Corrective Action: The District will develop written policies for Debt Service.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the District's collections during the fiscal period.*

0 out of 12 months referenced budget to actual comparisons.

Planned Corrective Action: The District will present budget to actual comparisons at board meetings and will have it referenced in the minutes.

Collections

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

For 1 the location selected for our procedures, 2 employees share the same the cash drawer.

Planned Corrective Action: The 2 employees will continue to share the same cash drawer. However, there will be a review of the reconciliation performed by an employee not involved in the process.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

For the 1 collection selected, the business manager collects cash when the administrative assistant is not there and the business manager also is responsible for reconciling cash collections.

Planned Corrective Action: There will be a review of the reconciliation by an employee not involved in the process.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

For the 1 location selected for our procedures, a single employee initiates purchase requests, approves purchases, and is responsible for placing / making purchases.

Planned Corrective Action: The District will have another employee approve the purchases.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

For the 1 location selected for our procedures, the person processing payments was not prohibited from adding / modifying vendor files. The same employee is responsible for periodic review of vendor files.

Planned Corrective Action: The District will have another employee review changes to the vendor files.

- 10. For each location selected under #8 above, obtain the District's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

For the 5 disbursements selected for our procedures, a single employee initiated the purchase request, approved the purchase and placed / made the purchase.

Planned Corrective Action: The District will have another employee approve the purchases.

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We selected all 5 transactions for the debit card selected in procedure #12 (4 fuel cards excluded) and performed the specified procedures. (2) 0 out of 5 transactions had documentation that states a business/purpose that is appropriate for use.

Planned Corrective Action: The District will make changes to its credit card policy that requires the business/purpose of the transaction be documented.

Payroll and Personnel

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

One of the 5 employee selected time record was not approved.

Planned Corrective Action: The District will implement policies to ensure that all employees time records are approved.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

5 of 5 employees tested did not complete ethics training during the year.

Planned Corrective Action: The District will develop an ethics policy to ensure that all employees complete the required training during the 2019 fiscal period.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

For all 5 employees/officials selected for our procedures, signature verification evidencing that the employee/official had read the District's ethics policy during the fiscal period could not be obtained, as the District does not have a formal written ethics policy.

Planned Corrective Action: The District will develop an ethics policy to ensure that all employees complete the required training during the 2019 fiscal period.

24. Observe that the District has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice was not posted on the District's premises. The District does not have a website.

Planned Corrective Action: The District will implement measures to have the notice posted on its premises during the 2019 fiscal period.

If there are questions regarding this plan, please call Naomi Riley at (225) 635-3590.

Sincerely,

Naomi Riley,
Business Manager

