

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

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED APRIL 30, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

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TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| <u>INDEPENDENT AUDITORS' REPORT</u> | 1 - 3 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u> | 4 - 8 |
| <u>FINANCIAL STATEMENTS</u> | |
| Statement of Net Position | 9 |
| Statement of Revenues, Expenses, and Changes in Net Position | 10 |
| Statement of Cash Flows | 11 |
| Notes to the Financial Statements | 12 - 21 |
| <u>SUPPLEMENTARY INFORMATION</u> | |
| Schedule of Operating Expenses | 22 |
| Schedule of Statistical Data | 23 |
| Schedule of Comparative Data | 24 |
| Schedule of Compensation Paid to Board Members | 25 |
| Schedule of Compensation, Benefits and Other Payments to the Superintendent | 26 |
| Schedule of Insurance in Force (unaudited) | 27 |
| Schedule of Information Required by Rural Development (unaudited) | 28 |
| <u>OTHER REPORTS</u> | |
| 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 <i>Government Auditing Standards</i> | 29 - 30 |
| Schedule of Findings and Recommendations | 31 - 33 |
| Summary Schedule of Prior Audit Findings | 34 |

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, 2019, 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, 2019, 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, 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, 2019, 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, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019

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, 2019. It should be read in conjunction with the financial report taken as a whole.

FINANCIAL HIGHLIGHTS

- At April 30, 2019, the District's assets exceeded its liabilities by \$6,252,364.
- The District's net position had an increase of \$742,896 during the year ended April 30, 2019.

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, 2019

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>2019</u> | <u>2018</u> |
|----------------------------------|---------------------|---------------------|
| Assets | | |
| Current and other assets | \$ 4,046,340 | \$ 3,620,800 |
| Capital assets, net | <u>5,395,615</u> | <u>5,192,509</u> |
| Total Assets | 9,441,955 | 8,813,309 |
| Liabilities | | |
| Current liabilities | 253,744 | 293,102 |
| Long-term liabilities | <u>2,935,847</u> | <u>3,010,739</u> |
| Total Liabilities | 3,189,591 | 3,303,841 |
| Net Position | | |
| Net investment in capital assets | 2,457,329 | 2,173,581 |
| Restricted | 1,376,568 | 1,208,858 |
| Unrestricted | <u>2,418,467</u> | <u>2,127,029</u> |
| Net Position | <u>\$ 6,252,364</u> | <u>\$ 5,509,468</u> |

The District's total net position increased by \$742,896 as of April 30, 2019. The District continued operating on a profitable basis with gas rates increasing in 2019 compared to 2018 due to market conditions. In addition, the increase in gas rates and gas consumption caused total revenues to increase by \$359,539 or 12.2% from the previous year. The District received grant contributions of \$82,907 for damaged to the gas distribution system sustained during the South Louisiana Flood. Also, the District recorded an impairment loss of \$92,119 for damage to the gas distribution system that occurred during the storm. The District's total expenses saw an increase of \$272,186 or 11.9% compared to 2018. 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, 2019

A summary of changes in net position is as follows:

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

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| Revenues | | |
| Operating revenues | \$ 3,181,911 | \$ 2,923,784 |
| Non-operating revenues | <u>117,520</u> | <u>16,108</u> |
| Total Revenues | 3,299,431 | 2,939,892 |
| Expenses | | |
| Operating expenses | 2,340,734 | 2,158,394 |
| Non-operating expenses | <u>215,801</u> | <u>125,955</u> |
| Total Expenses | 2,556,535 | 2,284,349 |
| Change in net position | 742,896 | 655,543 |
| Net position, beginning of year | <u>5,509,468</u> | <u>4,853,925</u> |
| Net position, ending of year | <u>\$ 6,252,364</u> | <u>\$ 5,509,468</u> |

The District's total operating revenues in 2019 increased by \$258,127 or 8.8% from 2018 as gas rates increased in 2019 due to market conditions. The District's total operating expenses saw an increase of \$182,340 or 8.4% in 2019 compared to 2018 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>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents provided by (used for): | | |
| Operating activities | \$ 1,145,068 | \$ 992,432 |
| Capital and related financing activities | (842,847) | (354,716) |
| Noncapital financing activities | 82,907 | - |
| Investing activities | <u>6,114</u> | <u>747</u> |
| Net change in cash and cash equivalents | 391,242 | 638,463 |
| Cash and cash equivalents, beginning of year | <u>2,058,643</u> | <u>1,420,180</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,449,885</u> | <u>\$ 2,058,643</u> |

The total cash provided by operating activities in 2019 compared to 2018 increased by \$152,636 due to increase in gas rates charged to customers due to market conditions. The total cash used for capital and related financing activities in 2019 increased by \$488,131 compared to 2018 predominantly due to improvements made to the Gas distribution system during the fiscal period.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: At the end of 2019, the District had \$5,395,615, net of depreciation invested in a broad range of capital assets (See table below). This amount represents a net increase of \$203,106 or 3.9% from the previous year. The net increase is due to additions totaling \$546,404 and depreciation of \$251,179, which decreases the carrying value. Also, the District recorded an impairment loss of \$92,119 for damage sustained to the gas distribution system during the South Louisiana Flood.

Capital assets at year-end are summarized as follows:

| CAPITAL ASSETS (Net of Accumulated Depreciation) AS OF APRIL 30 TH | | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Non-depreciable Assets | | |
| Land | \$ 7,500 | \$ 7,500 |
| Construction in progress | 263,348 | 30,497 |
| Depreciable Assets | | |
| Buildings | 770,907 | 794,480 |
| Gas distribution system | 4,294,866 | 4,284,447 |
| Equipment | 41,172 | 50,355 |
| Furniture/fixtures | 10,415 | 12,885 |
| Vehicles | 7,407 | 12,345 |
| Capital Assets, net | <u>\$ 5,395,615</u> | <u>\$ 5,192,509</u> |

The major additions during the year included improvements to the gas distribution system of \$308,436 and construction in progress of \$232,851.

Debt Administration: At the end of 2019, the District had \$2,933,252 in outstanding debt compared to \$3,013,798 at the previous period end, see table below. This amount represents a decrease (comprised of predominantly bond and note principal payments) of \$80,546 from the previous year end.

OUTSTANDING DEBT AT YEAR END

| | 2019 | 2018 |
|---------------|---------------------|---------------------|
| Bonds payable | \$ 2,882,216 | \$ 2,937,244 |
| Notes payable | 51,036 | 76,554 |
| Total | <u>\$ 2,933,252</u> | <u>\$ 3,013,798</u> |

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, 2019

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, 2019

ASSETS

| | |
|-------------------------------------|------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 1,013,596 |
| Investments | 1,298,848 |
| Accounts receivable, net | 258,551 |
| Prepaid expenses | 7,208 |
| Prepaid lease | 342 |
| Restricted assets: | |
| Cash and cash equivalents | <u>1,436,289</u> |
| Total current assets | 4,014,834 |
| Noncurrent assets: | |
| Prepaid lease | 31,506 |
| Capital assets, net of depreciation | <u>5,395,615</u> |
| Total noncurrent assets | <u>5,427,121</u> |
| Total assets | <u>9,441,955</u> |

LIABILITIES

| | |
|--|------------------|
| Current liabilities: | |
| Payable from current assets: | |
| Accounts payable | 137,725 |
| Accrued salaries and benefits payable | 11,545 |
| Notes payable, short-term portion | 25,518 |
| Compensated absences, short-term portion | <u>16,956</u> |
| Total current liabilities (payable from current assets) | 191,744 |
| Payable from restricted assets: | |
| Accrued interest payable | 5,034 |
| Bonds payable, short-term portion | <u>56,966</u> |
| Total current liabilities (payable from restricted assets) | 62,000 |
| Noncurrent liabilities: | |
| Compensated absences | 25,358 |
| Customer deposits | 59,721 |
| Notes payable-LA Dept. of Transportation & Development | 25,518 |
| Bonds payable | <u>2,825,250</u> |
| Total noncurrent liabilities | <u>2,935,847</u> |
| Total liabilities | <u>3,189,591</u> |

NET POSITION

| | |
|--------------------------------------|---------------------|
| Net investment in capital assets | 2,457,329 |
| Restricted for bond related payments | 1,376,568 |
| Unrestricted | <u>2,418,467</u> |
| Total net position | <u>\$ 6,252,364</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, 2019

OPERATING REVENUE

| | |
|--------------------------|------------------|
| Charges for services: | |
| Gas sales | \$ 3,153,812 |
| Penalties/late charges | 7,789 |
| Other | 20,310 |
| Total operating revenues | <u>3,181,911</u> |

OPERATING EXPENSES

| | |
|--------------------------------|------------------|
| Administrative | 273,398 |
| Depreciation | 251,179 |
| Employees and related expenses | 432,370 |
| Gas purchases | 1,320,806 |
| Occupancy | 62,981 |
| Total operating expenses | <u>2,340,734</u> |

Operating income 841,177

NON-OPERATING REVENUES (EXPENSES)

| | |
|---|-----------------|
| Interest income | 34,613 |
| Grants and contributions | 82,907 |
| Loss on write-off of capital assets | (92,119) |
| Interest expense | (123,682) |
| Total non-operating revenues/(expenses) | <u>(98,281)</u> |

Change in net position 742,896

Net position, beginning of year 5,509,468

Net position, end of year \$ 6,252,364

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, 2019

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 3,118,387 |
| Cash paid to suppliers for goods/services | (1,690,616) |
| Cash paid to employees for services | (433,582) |
| Cash received from others | 58,760 |
| Net cash provided by operating activities | <u>1,052,949</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on notes payable | (25,518) |
| Principal paid on bonds payable | (55,028) |
| Interest paid on bond issuance and notes payable | (123,778) |
| Acquisition/construction of capital assets | (546,404) |
| Net cash used for capital and related financing activities | <u>(750,728)</u> |
| Cash flows from noncapital financing activities: | |
| Grants and other contributions | 82,907 |
| Net cash provided by noncapital financing activities | <u>82,907</u> |
| Cash flows from investing activities: | |
| Interest received | 34,613 |
| Investments matured/reinvested | (28,499) |
| Net cash provided by investing activities | <u>6,114</u> |
| Net increase in cash and cash equivalents | 391,242 |
| Cash and cash equivalents, beginning of year | <u>2,058,643</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,449,885</u> |
| Classified as: | |
| Current | \$ 1,013,596 |
| Restricted | 1,436,289 |
| Total: | <u>\$ 2,449,885</u> |
| Reconciliation of operating income to net cash from operating activities: | |
| Operating income | \$ 841,177 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 251,179 |
| Bad debt expense | 142 |
| loss on write-off of capital assets | - |
| (Increase)/decrease in assets: | |
| Accounts receivable | (46,205) |
| Other receivable | 38,450 |
| Prepaid expenses | 1,814 |
| Increase/(decrease) in liabilities: | |
| Accounts payable | 47,662 |
| Accrued salaries and benefits payable | (7,412) |
| Unearned revenues | (82,907) |
| Customer deposits | 2,849 |
| Compensated absences payable | 6,200 |
| Net cash provided by operating activities | <u>\$ 1,052,949</u> |
| Non-cash capital and related financing activities: | |
| Loss on write-off of capital assets | <u>\$ 92,119</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, 2019.

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)

Impairment of Long-Lived Assets

The District reviews long-lived assets for impairment whenever events or changes in operational circumstances indicate that the carrying amount of the assets may not be fully recoverable. The District performs undiscounted operating cash flow analyses to determine if any impairment exists. If impairment is determined to exist, any related impairment loss is calculated based on fair value.

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, 2019.

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 \$2,449,885 at April 30, 2019. 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, 2019, the District's bank balances of these deposits totaled \$2,759,047 which were covered partially by federal deposit of \$250,000 and pledged securities of \$2,376,105. The District was under collateralized by \$132,942.

Of the cash and cash equivalents included above, \$59,721 is restricted for customer deposits, \$2,934 for grant funded construction project, and \$1,373,634 is restricted for bond-related payments per the regulations of the bond issue.

Investments

As of April 30, 2019, 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>1,298,848</u> |

The \$1,298,848 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, 2019:

| | |
|--------------------------------------|-------------------|
| Charges for services | \$ 260,907 |
| Allowance for uncollectable accounts | <u>(2,356)</u> |
| Total | <u>\$ 258,551</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, 2019:

| | <u>Balance</u> <u>4/30/18</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>4/30/19</u> |
|--|----------------------------------|-------------------|---------------------|----------------------------------|
| Capital Assets, not being depreciated | | | | |
| Land | \$ 7,500 | \$ - | \$ - | \$ 7,500 |
| Construction in Progress | <u>30,497</u> | <u>247,909</u> | <u>(15,058)</u> | <u>263,348</u> |
| Capital Assets, not being depreciated | 37,997 | 247,909 | (15,058) | 270,848 |
| Capital Assets, being depreciated | | | | |
| Buildings | 827,226 | - | - | 827,226 |
| Less: accumulated depreciation | <u>(32,746)</u> | <u>(23,573)</u> | <u>-</u> | <u>(56,319)</u> |
| Net Buildings | 794,480 | (23,573) | - | 770,907 |
| Gas distribution system | 7,909,045 | 308,436 | (153,532) | 8,063,949 |
| Less: accumulated depreciation | <u>(3,624,598)</u> | <u>(205,898)</u> | <u>61,413</u> | <u>(3,769,083)</u> |
| Net Distribution System | 4,284,447 | 102,538 | (92,119) | 4,294,866 |
| Equipment | 219,229 | 5,117 | - | 224,346 |
| Less: accumulated depreciation | <u>(168,874)</u> | <u>(14,300)</u> | <u>-</u> | <u>(183,174)</u> |
| Net Equipment | 50,355 | (9,183) | - | 41,172 |
| Furniture/fixtures | 19,031 | - | - | 19,031 |
| Less: accumulated depreciation | <u>(6,146)</u> | <u>(2,470)</u> | <u>-</u> | <u>(8,616)</u> |
| Net Furniture/fixtures | 12,885 | (2,470) | - | 10,415 |
| Vehicles | 92,779 | - | - | 92,779 |
| Less: accumulated depreciation | <u>(80,434)</u> | <u>(4,938)</u> | <u>-</u> | <u>(85,372)</u> |
| Net Vehicles | <u>12,345</u> | <u>(4,938)</u> | <u>-</u> | <u>7,407</u> |
| Capital Assets, being depreciated, net | <u>5,154,512</u> | <u>62,374</u> | <u>(92,119)</u> | <u>5,124,767</u> |
| Capital Assets, net | <u>\$ 5,192,509</u> | <u>\$ 310,283</u> | <u>\$ (107,177)</u> | <u>\$ 5,395,615</u> |

Depreciation expense was \$251,179 for the year ended April 30, 2019.

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, 2019 was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Amounts</u> <u>Due within</u> <u>One Year</u> |
|----------------------|------------------------------------|------------------|--------------------|---------------------------------|--|
| Bonds Payable | \$ 2,937,244 | \$ - | (\$ 55,028) | \$ 2,882,216 | \$ 56,966 |
| Notes Payable | 76,554 | - | (25,518) | 51,036 | 25,518 |
| Compensated Absences | 36,114 | 15,554 | (9,354) | 42,314 | 16,956 |
| Customer Deposits | <u>56,872</u> | <u>4,050</u> | <u>(1,201)</u> | <u>59,721</u> | <u>-</u> |
| | <u>\$ 3,106,784</u> | <u>\$ 19,604</u> | <u>(\$ 91,101)</u> | <u>\$ 3,035,287</u> | <u>\$ 99,440</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, 2019, was \$2,455,118. 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 \$4,297,341. Principal and interest paid for the year and total customer net revenues were \$146,642 and \$3,162,105, 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, 2019, was \$427,098. 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 \$643,931. Principal and interest paid for the year and total customer net revenues were \$32,164 and \$3,162,105, 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, 2021. The balance at April 30, 2019, was \$51,036.

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> |
|--|---------------------|---------------------|---------------------|
| 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 | 67,502 | 111,304 | 178,806 |
| 2025 - 2029 | 384,009 | 510,021 | 894,030 |
| 2030 - 2034 | 474,750 | 419,280 | 894,030 |
| 2035 - 2039 | 586,936 | 307,094 | 894,030 |
| 2040 - 2044 | 549,947 | 183,914 | 733,861 |
| 2045 - 2049 | 575,963 | 55,328 | 631,291 |
| | <u>\$ 2,933,252</u> | <u>\$ 2,059,056</u> | <u>\$ 4,992,308</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, 2019, was \$31,848.

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, 2019 were \$8,098.

8. CONCENTRATIONS

The District provides natural gas services to two customers totaling 92% of annual sales. Sales of \$1,006,576 to the East Louisiana State Hospital accounted for 31% of total sales and sales of \$1,906,275 to Louisiana State Penitentiary accounted for 61%.

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 \$1,181,000 for the subsequent period.

At April 30, 2019, the District had construction commitments of approximately \$325,000.

10. CONTINGENCIES

In August 2016, prolonged rainfall in southern parts of Louisiana resulted in catastrophic flooding that submerged thousands of homes and businesses. Many rivers and waterways, particularly the Amite and Comite Rivers, reached record levels, and rainfall exceeded 20 inches in multiple parishes.

The District experienced damage to its gas distribution system. The District recorded an impairment loss of \$92,119 based on the net book value of the damaged assets. The District capitalized repair/replacement costs of \$210,047 to damaged assets for the year ended April 30, 2019. The District did not have flood insurance and does not expect to recognize insurance recoveries.

The Governor of Louisiana requested a Presidential disaster declaration, which was declared (DR-4277) on August 14, 2016, authorizing the Federal Emergency Management Agency (FEMA) to activate the Public Assistance (PA) program. In 2019, the District began seeking reimbursement for eligible recovery costs through the PA program for Emergency Protective Measures for damage sustained. Under the Emergency Protective Measures PA program, the District has recorded revenues of \$82,907 during the year ended April 30, 2019.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF OPERATING EXPENSES
YEAR ENDED APRIL 30, 2019

ADMINISTRATIVE

| | |
|----------------------------|----------------|
| Billing service | \$ 1,871 |
| Board meetings/travel | 1,359 |
| Office and supplies | 33,652 |
| Official publications | 1,786 |
| Professional fees | 74,171 |
| Bad debt | 142 |
| Engineering and legal fees | 65,387 |
| Repairs and maintenance | 63,566 |
| Truck expense | 28,825 |
| Taxes and licenses | 2,639 |
| Total administrative | <u>273,398</u> |

DEPRECIATION

251,179

EMPLOYEE AND RELATED EXPENSES

| | |
|-------------------------------------|----------------|
| Drug testing expense | 809 |
| Group insurance/workers' comp | 58,654 |
| Payroll taxes | 23,708 |
| Retirement | 8,098 |
| Salaries and per diem | 335,034 |
| Uniforms | 6,067 |
| Total employee and related expenses | <u>432,370</u> |

GAS PURCHASES

1,320,806

OCCUPANCY

| | |
|-----------------|---------------|
| Insurance | 53,812 |
| Telephone | 5,456 |
| Utilities | 3,713 |
| Total occupancy | <u>62,981</u> |

Total operating expenses \$ 2,340,734

See Independent Auditors' Report.

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

SCHEDULE OF STATISTICAL DATA
YEAR ENDED APRIL 30, 2019

| <u>Month</u> | <u>Purchases</u> | | <u>Cost per MMBTU</u> | <u>Sales</u> |
|-----------------|------------------|---------------------|---------------------------|---------------------|
| | <u>MMBTU</u> | <u>Amount</u> | | |
| May | 15,315 | \$ 60,139 | \$ 3.93 | \$ 171,944 |
| June | 15,543 | 62,971 | 4.05 | 143,245 |
| July | 16,952 | 70,566 | 4.16 | 141,873 |
| August | 16,889 | 68,833 | 4.08 | 169,596 |
| September | 16,176 | 65,952 | 4.08 | 165,507 |
| October | 19,817 | 78,642 | 3.97 | 162,311 |
| November | 37,502 | 148,878 | 3.97 | 381,461 |
| December | 43,333 | 219,096 | 5.06 | 328,375 |
| January | 47,554 | 198,541 | 4.18 | 510,220 |
| February | 32,614 | 123,955 | 3.80 | 432,758 |
| March | 35,559 | 124,148 | 3.49 | 284,505 |
| April | 24,167 | 99,085 | 4.10 | 262,017 |
| Total Purchases | <u>321,421</u> | <u>\$ 1,320,806</u> | Total Sales | <u>\$ 3,153,812</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, 2019

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| SUMMARY OF REVENUES AND EXPENSES | | |
| Operating revenues | \$ 3,181,911 | \$ 2,923,784 |
| Cost of revenues - gas purchases | <u>(1,320,806)</u> | <u>(1,180,304)</u> |
| Gross Profit | <u>1,861,105</u> | <u>1,743,480</u> |
| Other operating expenses | (768,749) | (680,277) |
| Depreciation | <u>(251,179)</u> | <u>(297,813)</u> |
| Operating Income | <u>841,177</u> | <u>765,390</u> |
| Non-operating revenues | 117,520 | 16,108 |
| Non-operating expenses | <u>(215,801)</u> | <u>(125,955)</u> |
| Change in Net Position | <u>\$ 742,896</u> | <u>\$ 655,543</u> |
| OTHER DATA | | |
| Capital assets, net of accumulated depreciation | \$ 5,395,615 | \$ 5,192,509 |
| Net working capital | \$ 3,761,090 | \$ 3,295,850 |
| Total assets | \$ 9,441,955 | \$ 8,813,309 |
| Long-term liabilities | \$ 2,935,847 | \$ 3,010,739 |
| Total net position | \$ 6,252,364 | \$ 5,509,468 |
| Average no. of customers | 379 | 377 |
| Total gas purchased and sold (MMBTU) | 321,421 | 305,807 |

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, 2019

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, 2019.

| <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 | \$ 1,110 |
| 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 | 741 |
| Bess Kelley | P.O. Box 430, St. Francisville, LA 70775 | 225-635-6207 | 444 |
| Thomas Klein Jr. | P.O. Box 446, St. Francisville, LA 70775 | 225-324-9831 | 340 |
| David Norwood | 7764 Highland Rd., St. Francisville, LA 70775 | 225-635-6656 | 826 |
| Terry Osterberger | 12321 Hwy 965, St. Francisville, LA 70775 | 225-635-3956 | 549 |
| C.B. Owen | P.O. Box 1368, St. Francisville, LA 70775 | 225-245-4464 | 1,301 |
| Glenn Thomas | 9441 Sligo Rd., St. Francisville, LA 70775 | 225-784-9080 | 837 |
| Leonard White | 7459 Solitude Rd., St. Francisville, LA 70775 | 225-937-2216 | <u>623</u> |
| Total | | | <u>\$ 7,557</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, 2019

Superintendent Name: Clay Hardouin

| <u>Purpose</u> | <u>Amount</u> |
|---------------------|-------------------|
| Salary | \$ 88,369 |
| Benefits-insurance | 11,362 |
| Benefits-retirement | 2,074 |
| Cell phone | 423 |
| Dues | <u>520</u> |
| Total | <u>\$ 102,748</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, 2019
(UNAUDITED)

| <u>Policy No #</u> | <u>Expiration Date</u> | <u>Company</u> | <u>Coverage</u> | |
|--------------------|--|--|-------------------------------------|--|
| 02-LX-024058454-0 | 5/16/18 - 5/16/19 | 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 | 5/16/18 - 5/16/19 | Willis of New Hampshire | Auto | \$1,000,000 each accident \$1,000,000 uninsured motorist |
| 3680-S | 11/15/17 - 11/15/18 11/15/18 - 11/15/19 | 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, 2019
(UNAUDITED)

Item No. 1

The District's customers' accounts receivable at April 30, 2019, is comprised of the following:

| | <u>0-30 days</u> | <u>31+ days</u> | <u>Total</u> |
|--------|------------------|-----------------|--------------|
| No. | 335 | 46 | 381 |
| Amount | \$258,342 | \$ 2,565 | \$260,907 |

Item No. 2

The number of active residential and non-residential users at April 30, 2019, is 360 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, 2019, 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, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and recommendations, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and recommendations as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which we described in the accompanying schedule of findings and recommendations, noted as item 2019-003.

Gas Utility District No. 1 of West Feliciana Parish’s Response to Findings

The District’s response to the findings identified in our audit are 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, 2019

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED APRIL 30, 2019

B. Findings – Financial Statement Audit

2019-001

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 \$235,000 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.

2019-002

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 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.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED APRIL 30, 2019

B. Findings – Financial Statement Audit (continued)

2019-002

Segregation of Duties (continued)

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 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.

2019-003

Pledge Collateral for Deposits

Criteria:

According to Louisiana state law, deposits over the Federal Deposit Insurance Corporation's (FDIC) allowed limit must be secured by securities owned by the local bank and pledged to the local government as collateral.

Condition:

The District's deposits at the local bank exceeded the FDIC coverage limit combined with pledged securities and were under collateralized by \$132,943.

Cause:

Miscommunication between bank representatives and management resulted in the bank failing to ensure the District's deposits were secured by pledge securities as required by State law.

Effect:

The District's deposits were uncollateralized resulting in a violation of Louisiana law.

Recommendation:

Management should obtain written evidence of the local bank's compliance with deposit collateral requirements on a monthly basis.

View of Responsible Official:

Management relied on bank personnel to adequately collateralize the deposits. Procedures will be established to implement the recommendation of obtaining documentation monthly to ensure bank compliance in the future.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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.

Current status:

The finding has not been resolved and is listed in the current year schedule of findings and recommendations as item 2019-002.

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, 2019

The Gas Utility District No.1 of West Feliciana Parish respectfully submits the following corrective action plan for the year ended April 30, 2019.

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, 2018 to April 30, 2019

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

2019-001

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 \$235,000 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.

Planned Corrective Action: *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.*

Anticipated Completion Date: April 30, 2020

Responsible Contact Person: Naomi Riley, Business Manager

2019-002

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 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 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: January 31, 2020

Responsible Contact Person: Naomi Riley, Business Manager

2019-003

Pledge Collateral for Deposits

Criteria:

According to Louisiana state law, deposits over the Federal Deposit Insurance Corporation's (FDIC) allowed limit must be secured by securities owned by the local bank and pledged to the local government as collateral.

Condition:

The District's deposits at the local bank exceeded the FDIC coverage limit combined with pledged securities and were under collateralized by \$132,943.

Cause:

Miscommunication between bank representatives and management resulted in the bank failing to ensure the District's deposits were secured by pledge securities as required by State law.

Effect:

The District's deposits were uncollateralized resulting in a violation of Louisiana law.

Recommendation:

Management should obtain written evidence of the local bank's compliance with deposit collateral requirements on a monthly basis.

Planned Corrective Action:

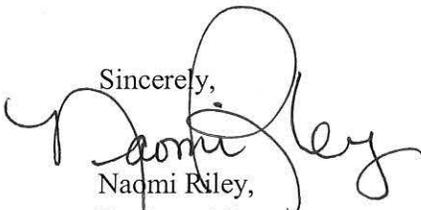
Management relied on bank personnel to adequately collateralize the deposits. Procedures will be established to implement the recommendation of obtaining documentation monthly to ensure bank compliance in the future.

Anticipated Completion Date: January 31, 2020

Responsible Contact Person: Naomi Riley, Business Manager

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

Sincerely,



Naomi Riley,
Business Manager

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, 2019



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**

Table of Contents

Independent Accountants' Report on Applying Agreed-Upon
Procedures for the Year Ended April 30, 2019

1 – 12

Management's Response and Corrective Action Plan

Independent Accountants' Report
On Applying Agreed-Upon Procedures
For the Year Ended 2019

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) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2018 through April 30, 2019. The 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" is indicated.

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's policy does not include standard terms and conditions and legal review.

- 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

No exceptions noted.

- 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's policy does not specifically address the listed areas above.

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

No exceptions noted.

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

No exceptions noted.

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:

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.

- 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);

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.

- 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

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.

- 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.

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.

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 the 1 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 location 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:

No exceptions noted.

- 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).

No exceptions noted.

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:

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.

- 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).

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.

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

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.

- 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).

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.

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

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.

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:

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.

- 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.

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.

- 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).

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.

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

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.

- 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.

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.

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.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

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.

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.

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.

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.

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.

No exceptions noted.

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, 2019

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, 2019

The Gas Utility District No. 1 of West Feliciana Parish respectfully submits the following corrective action plan for the year ended April 30, 2019.

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

Period: May 1, 2018 to April 30, 2019

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's policy does not include standard terms and conditions and legal review.

Planned Corrective Action: The District will develop written policies to include standard terms and conditions and legal review for contracting.

- 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's policy does not specifically address the listed areas above.

Planned Corrective Action: The District will modify its written policies for Ethics to specifically address the listed areas.

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.

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

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.

Ethics

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

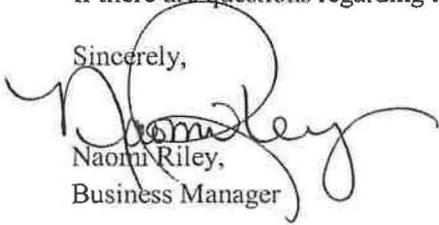
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

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.

Planned Corrective Action: The District will modify its ethics policy to ensure that signatures are obtained from each employee/official as evidence that the District's ethics policy was read during the 2020 fiscal period.

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

Sincerely,


Naomi Riley,
Business Manager

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH

REPORT TO MANAGEMENT

APRIL 30, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

GAS UTILITY DISTRICT NO. 1 OF WEST FELICIANA PARISH

REPORT TO MANAGEMENT

APRIL 30, 2019

October 31, 2019

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, 2019, 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 a matters that is an opportunity for improving financial reporting and refining policies and procedures. The following paragraphs summarize our comments and suggestions regarding this matter. This letter does not affect our report dated October 31, 2019 on the financial statements of the District.

A. 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, and ethics.

Management's Response:

The District's policies will be modified to address 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 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.

Current Status:

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

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.

Management's Response:

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

Current Status:

The District has modified its policies for travel expenses, debt service, and fraud and waste. However, other noted policies have not been modified. See current year management letter point "A".

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.

Current Status:

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