

Washington Parish Gas Utility District Number One
Parish of Washington
Varnado, Louisiana

Annual Financial Statements

As of and for the Years Then Ended December 31, 2012 and 2011
With Supplemental Information Schedules

Washington Parish Gas Utility District Number One
Annual Financial Statements
As of and for the Years Ended December 31, 2012 and 2011
With Supplemental Information Schedules

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Independent Accountant's Review Report

To Board of Commissioners
Washington Parish Gas Utility District Number One
Varnado, Louisiana

We have reviewed the accompanying financial statements of the business-type activities of the Washington Parish Gas Utility District Number One, Louisiana, a component unit of the Washington Parish Council, as of and for the years ended December 31, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents, and the accompanying supplementary information in this report, which are presented only for supplementary analysis purposes. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 14, 2013

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Management's Discussion and Analysis

Washington Parish Gas Utility District Number One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2012

Introduction

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

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position and results of operations and assist the user in determining whether the financial position has improved or deteriorated as a result of the year's operations, (d) identify any significant variations from the original, amended and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity, and (e) identify individual fund issues or concerns.

The information contained within this Management's Discussion and Analysis (MD&A) should be considered only as part of a whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and other Required Supplemental Information (RSI) that are provided in addition to this MD&A.

Financial Highlights

- At December 31, 2012, total assets were \$1,848,445, and exceeded liabilities in the amount of \$1,801,168 (i.e., net position). Of the total net position, \$1,617,464 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, and restricted for capital activity and debt service.
- For the year ended December 31, 2012, user fee revenues (gas sales) and other revenues of \$241,697 decreased by \$70,225 representing an approximate decrease of twenty-three percent from total revenues for the fiscal year ending December 31, 2011.
- The District's operating expenses decreased by \$23,955 or eleven percent to \$200,615 as compared to \$224,570 for the prior fiscal year. The decrease is mainly due to the decrease in cost of gas sold of \$19,598.
- Interest income for the fiscal year ended December 31, 2012, totaled \$26,236 representing a decrease of thirteen percent from the prior fiscal year.
- For the year ended December 31, 2012, the District adopted GASB 63. GASB 63 changes the term net assets to net position.

Washington Parish Gas Utility District Number One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2012

Overview of the Annual Financial Report

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

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

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

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

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

The Budget/Actual Statement of Revenues and Expenses reflects on how well the Board manages the operation of the District.

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

Financial Analysis

The purpose of financial analysis is to help determine whether Washington Parish Gas Utility District Number One is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, is presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Washington Parish Gas Utility District Number One

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2012**

**Condensed Statements of Net Position
2012 and 2011**

	<u>2012</u>	<u>2011</u> (Restated)	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 1,744,674	\$ 1,700,911	\$ 43,763	3%
Capital Assets	103,771	111,416	(7,645)	-7%
Total Assets	<u>1,848,445</u>	<u>1,812,327</u>	<u>36,118</u>	2%
Liabilities:				
Other Liabilities	47,277	52,241	(4,964)	-10%
Total Liabilities	<u>47,277</u>	<u>52,241</u>	<u>(4,964)</u>	-10%
Net Position:				
Invested in Capital Assets, Net of Related Debt	103,771	111,416	(7,645)	-7%
Restricted for Capital Activity and Debt Service	79,933	64,105	15,828	25%
Unrestricted	1,617,464	1,584,565	32,899	2%
Total Net Position	<u>\$ 1,801,168</u>	<u>\$ 1,760,086</u>	<u>\$ 41,082</u>	2%

The major components of change for "Current and Other Assets" was an increase of \$22,417 in all cash and investment accounts.

"Capital Assets" decrease was a result of current depreciation of \$7,645.

The major component of change in "Current Liabilities" is a \$4,806 decrease in accounts payable.

"Total Net Position" (total assets less total liabilities) increased by \$41,082 for the fiscal year ending December 31, 2012, which is approximately a \$44,020 decline from an increase of \$85,102 in 2011. Gross profit on gas sales declined \$44,345.

Washington Parish Gas Utility District Number One

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2012**

**Condensed Statements of Revenues, Expenses and Changes in Net Position
2012 and 2011**

	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 215,684	\$ 280,287	\$ (64,603)	-23%
Nonoperating Revenues	<u>26,013</u>	<u>31,635</u>	<u>(5,622)</u>	-18%
Total Revenues	<u>241,697</u>	<u>311,922</u>	<u>(70,225)</u>	-23%
Expenses:				
Cost of Gas Sold	82,147	101,745	(19,598)	-19%
Depreciation Expense	7,645	7,645	-	0%
Other Operating Expense	<u>110,823</u>	<u>115,180</u>	<u>(4,357)</u>	-4%
Total Expenses	<u>200,615</u>	<u>224,570</u>	<u>(23,955)</u>	-11%
Changes in Net Position	41,082	87,352	(46,270)	-53%
Beginning Net Position	<u>1,760,086</u>	<u>1,668,169</u>	91,917	6%
Ending Net Position	<u>\$ 1,801,168</u>	<u>\$ 1,760,086</u>	<u>\$ 41,082</u>	2%

While the Statement of Net Position shows the change in financial position of fund equity, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of the Washington Parish Gas Utility District Number One's conservative approach to management. Total "Operating Revenues" (including gas sales and revenues related to providing gas and related services to customers) decreased by \$64,603 over the prior year. Non-operating revenue decreased by \$5,622 compared to an increase in 2011 of \$3,089. "Operating Expenses" decreased by \$23,955 over prior year expenses, which was driven by a decrease in Cost of gas sold of \$19,598 created from selling less gas during the period.

Washington Parish Gas Utility District Number One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2012

Budgetary Highlights

Washington Parish Gas Utility District Number One adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2012

	Budget Year ended December 31, 2012	Actual Year ended December 31, 2012	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 191,850	\$ 215,684	\$ 23,834
Nonoperating Revenues	22,500	26,013	3,513
Total Revenues	<u>214,350</u>	<u>241,697</u>	<u>27,347</u>
Expenses:			
Cost of Gas Sold	96,000	82,147	13,853
Depreciation Expense	10,000	7,645	2,355
Other Operating Expense	117,970	110,823	7,147
Nonoperating Expense	-	-	-
Total Expenses	<u>223,970</u>	<u>200,615</u>	<u>23,355</u>
Change in Net Position	\$ <u>(9,620)</u>	\$ <u>41,082</u>	\$ <u>50,702</u>

Total Revenues and Expenditures were within the five percent variance limitation to comply with State Budget Law.

Washington Parish Gas Utility District Number One

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2012**

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>	<u>December 31, 2010</u>
Customers				
Active	388	403	(15)	403
Total Customers	<u>388</u>	<u>403</u>	<u>(15)</u>	<u>403</u>

One key measure of a gas district's profitability, and the ability to generate positive cash flows, is the ability of the gas system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2012 and 2011.

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 31,169	\$ 29,324	\$ 1,845
31-60 Days Past Due	9,269	8,194	1,075
61-90 Days Past Due	2,444	4,172	(1,728)
Over 90 Days Past Due	2,299	-	2,299
Subtotal	<u>45,181</u>	<u>41,690</u>	<u>3,491</u>
Allowance for Uncollectible Accounts	(3,500)	(3,500)	-
Net Accounts Receivable	<u>\$ 41,681</u>	<u>\$ 38,190</u>	<u>\$ 3,491</u>

Washington Parish Gas Utility District Number One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2012 and 2011, Washington Parish Gas Utility District Number One had \$103,771 and \$(111,416) (net of accumulated depreciation) recorded in capital assets. This includes gas line systems and improvements, investment in gas meters, storage and other equipment, such as office equipment, and maintenance equipment used to operate the gas system. The changes in capital assets are presented in the table below.

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Capital Assets				
Gas Line System	\$ 467,976	\$ 467,976	\$ -	0%
Maintenance Equipment	58,264	58,264	-	0%
Office Equipment	<u>5,965</u>	<u>5,965</u>	<u>-</u>	0%
Subtotal	532,205	532,205	-	0%
Less: Accumulated Depreciation	<u>(428,434)</u>	<u>(420,789)</u>	<u>(7,645)</u>	-2%
Net Capital Assets	<u>\$ 103,771</u>	<u>\$ 111,416</u>	<u>\$ (7,645)</u>	-7%

Depreciation expense was \$7,645 for the fiscal years ending December 31, 2012 and 2011.

Future Economic Plans

The Washington Parish Gas Utility District Number One's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects against the benefits to be derived. At present there are no plans for any distribution line expansion. The board's emphasis is on decreasing the cost of gas and collecting receivables with the goal of lowering utility bills for customers.

Contacting the District's Financial Management

The financial report is designed to provide a general overview of the District's finances and show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to Stanley Seal, President, Washington Parish Gas Utility District Number One, 26070 Highway 21, Angie, LA 70426, Phone (985) 732-7904.

Financial Statements

Washington Parish Gas Utility District Number One
Statements of Net Position
As of December 31, 2012 and 2011

	2012	2011
Assets		(Restated)
Current Assets:		
Cash and Cash Equivalents	\$ 482,300	\$ 455,599
Investments	1,115,647	1,119,931
Accounts Receivable, Net:		
Accounts	41,681	38,190
Inventory	10,886	9,366
Prepaid Insurance	14,227	13,720
Total Current Assets	1,664,741	1,636,806
Restricted Assets:		
Restricted Cash and Cash Equivalents	79,933	64,105
Total Restricted Assets	79,933	64,105
Property, Plant, and Equipment		
Property, Plant and Equipment, Net	103,771	111,416
Total Property, Plant, and Equipment	103,771	111,416
Total Assets	1,848,445	1,812,327
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	12,305	17,111
Other Accrued Payables	3,052	3,410
Total Current Liabilities (Payable From Current Assets)	15,357	20,521
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	31,920	31,720
Total Current Liabilities (Payable From Restricted Assets)	31,920	31,720
Total Liabilities	47,277	52,241
Net Position		
Invested in Capital Assets, Net of Related Debt	103,771	111,416
Restricted for:		
Customer Deposits	79,933	64,105
Unrestricted	1,617,464	1,584,565
Total Net Position	\$ 1,801,168	\$ 1,760,086

See accompanying notes and independent accountant's review report.

Statement B

Washington Parish Gas Utility District Number One
Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31, 2012 and 2011

	2012	2011
		Restated
Operating Revenues		
Gas Sales	\$ 208,638	\$ 272,581
Less Cost of Gas Sold	(82,147)	(101,745)
Gross Profit on Gas Sales	126,491	170,836
Other	7,046	7,706
Total Operating Revenues	133,537	178,542
Operating Expenses		
Billing Costs	11,817	15,208
Board of Commissioners	3,520	2,860
Depreciation	7,645	7,645
Insurance	28,490	26,666
Meter Reading	3,021	2,848
Other	5,075	6,610
Payroll Taxes	2,624	2,744
Professional Fees	9,700	9,450
Repairs and Maintenance	8,924	6,484
Salaries and Wages	30,655	33,188
Supplies	487	103
Travel	6,402	9,019
Utilities	108	-
Total Operating Expenses	118,468	122,825
Operating Income (Loss)	15,069	55,717
Nonoperating Revenues (Expenses)		
Increase (Decrease) in the Appreciation on the Value of Investments	(223)	1,435
Interest Income	26,236	30,200
Total Nonoperating Revenues (Expenses)	26,013	31,635
Change in Net Position	41,082	87,352
Total Net Position, Beginning	1,760,086	1,668,169
Prior Period Adjustments (Note 10)	-	4,565
Total Net Assets, Beginning after Prior Period Adjustments	1,760,086	1,672,734
Total Net Position, Ending	\$ 1,801,168	\$ 1,760,086

See accompanying notes and independent accountant's review report.

Washington Parish Gas Utility District Number One
Statements of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 205,147	\$ 284,120
Received for Meter Deposit Fees	200	(20)
Other Receipts	7,046	7,706
Payments for Operations	(166,882)	(185,980)
Payments to Employees	(33,279)	(35,932)
Net Cash Provided (Used) by Operating Activities	<u>12,232</u>	<u>69,894</u>
Cash Flows From Investing Activities		
Receipt of Interest	26,236	27,950
Proceeds from Sale (Payments) for Investments	4,061	(14,787)
Net Cash Provided (Used) by Investing Activities	<u>30,297</u>	<u>13,163</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	42,529	83,057
Cash and Cash Equivalents, Beginning of Year	<u>519,704</u>	<u>436,647</u>
Cash and Cash Equivalents, End of Year	<u>\$ 562,233</u>	<u>\$ 519,704</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 482,300	\$ 455,599
Cash and Cash Equivalents, Restricted	79,933	64,105
Total Cash and Cash Equivalents	<u>\$ 562,233</u>	<u>\$ 519,704</u>

(Continued)

See accompanying notes and independent accountant's review report.

Washington Parish Gas Utility District Number One
Statements of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2012 and 2011

	2012	2011
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 15,069	\$ 55,717
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	7,645	7,645
(Increase) decrease in Accounts Receivable	(3,491)	11,539
(Increase) decrease in Inventory	(1,520)	(571)
(Increase) decrease in Prepaid Insurance	(507)	(1,440)
Increase (decrease) in Accounts Payable	(4,806)	(5,707)
Increase (decrease) in Accrued Expenses	(358)	2,731
Increase (decrease) in Customer Deposits	200	(20)
Net Cash Provided (Used) by Operating Activities	\$ 12,232	\$ 69,894

(Concluded)

See accompanying notes and independent accountant's review report.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

Introduction

Washington Parish Gas Utility District Number One was established in 1962, by an ordinance of the Washington Parish Police Jury, (now the Washington Parish Council) under provisions authorized by Louisiana Revised Statutes 33:430. The purpose of the District was to build and maintain a natural gas distribution system for the rural area in the northeastern part of Washington Parish. The system serves approximately 388 customers over 170 miles of distribution lines. The system is operated and maintained on a contractual basis by the Varnado Water District. The Water District provides employees for billing, collecting, and general operation of the system. The Gas District has one employee, hired for maintenance purposes.

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

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Washington Parish Gas Utility District Number One is considered a component unit of Washington Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements established standards for financial reporting, with presentation requirements including a statement of net position (or balance sheet), a statement of activities and changes in net position, and a statement of cash flows.

Effective for financial statement periods ending after December 15, 2012, GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote M – Net Position*.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

B. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Washington Parish Council is the financial reporting entity for Washington Parish.

The financial reporting entity consists of (a) the primary government, parish council, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Washington Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and the ability of the parish council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish council appoints the governing board and has the ability to significantly influence operations, the District was determined to be a component unit of the Washington Parish Council, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

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

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all of the assets and liabilities, associated with the operation of this fund are included on the balance sheet. The enterprise

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The District uses the following practices in recording certain revenues and expenses:

Revenues

All revenues are susceptible to accrual basis of accounting. Gas revenues are billed on a recurring monthly basis, as the District's customers use gas. Bills are rendered at the beginning of each month for gas used the previous month. Accounts are primarily collected in the month following use of the gas. Re-connect fees, and installation fees are recorded in the month the service is rendered and collected. Interest income is paid and recorded on a monthly basis. Interest is accrued as earned on certificates of deposit.

Expenses

The District records expenses as they are incurred. Gas purchases are billed monthly and paid the following month. Supplies purchased during the month are normally paid the next month.

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

E. Budget

The proposed budget for 2012 was adopted at the December 13, 2011 board meeting. The budget is prepared on the accrual basis of accounting. The board forwarded a copy of the approved budget to the Washington Parish Council. The board reviewed the budget to actual comparison on a monthly basis as a part of their management of the system. On December 18, 2012, the board amended the budget for 2012 and adopted the 2013 budget. The District was in compliance with the Local Budget Government Act which allows a variance up to 5% in revenues and expenses.

F. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, the Louisiana Asset Management Pool (LAMP) and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

G. Investments

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

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

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

H. Inventories

Purchases of various maintenance supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded at the lower of cost or market on a first-in first-out method as assets at the close of the fiscal year.

I. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

J. Restricted Assets

Money received for utility deposits paid by new customers is held as restricted assets at Capital One National Bank, Bogalusa, Louisiana. Meter deposits are held by the District until a customer becomes inactive. The meter deposit is then applied to the accounts receivable balance due and any remainder is refunded to the customer. Current meter deposits are: rental \$100, homeowner \$60.

K. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

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

<u>Description</u>	<u>Estimated Lives</u>
Gas Utility System	30 Years
Maintenance Equipment	8 - 15 Years
Office Equipment	10 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

L. Compensated Absences

All employees of the District are hired on a part time basis, and are not afforded any employee benefits for vacation or sick leave.

There were no accumulated and vested leave benefits required to be reported, in accordance with GASB-16, as of December 31, 2012.

M. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position calculation as unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

N. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

P. Estimates

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

2. Cash and Cash Equivalents

At December 31, 2012 and 2011, the District has cash and cash equivalents (book balances), as follows:

	December 31, 2012	December 31, 2011
Demand Deposit Accounts	\$ 303,756	\$ 384,331
Time & Savings Accounts	73,014	57,398
Money market accounts	128,423	127,637
Louisiana Asset Management Pool	<u>65,317</u>	<u>65,218</u>
	<u>570,510</u>	<u>634,584</u>
Certificates of Deposit (See Note 3)	<u>1,107,370</u>	<u>1,005,051</u>
Total Deposits	<u>\$ 1,677,880</u>	<u>\$ 1,639,635</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the District's deposits (collected bank balances) in Capital One Bank totaled \$337,144. These deposits are secured from risk by \$250,000 of federal deposit insurance and pledged securities of \$100,000. The District has additional certificates of deposit of \$459,301 in various banks all under the FDIC insurance of \$250,000.

The certificates of deposit of \$1,107,370 held in investment accounts. Because the investments are held by its agent, the investment accounts as described in footnote 3 below, are considered insured and registered, Category 1, in applying the credit risk classification of GASB Codification Section I50.164.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

The investment in the Louisiana Asset Management Pool (LAMP), an external investment pool, is stated at the value of the pool shares, which is the same as the fair value. 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. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

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 LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7 – like investment pool. The following facts are relevant for 2a7 like investment pools:

- Credit risk: LAMP is rated AAAM by Standards and Poor's
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
- Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. 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 the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

3. Investments

Investments are categorized into these three categories of credit risk:

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

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

At December 31, 2012, the District's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Government National Mortgage Association	May 20, 2032	\$ 3,712	\$ 3,712
Certificates of Deposit			
Whitney National Bank		95,000	95,000
Citizen's Saving Bank		643,500	643,500
Resource Bank		104,569	104,569
First NBC		264,301	264,301
Total Certificates of Deposit		<u>1,107,370</u>	<u>1,107,370</u>
	Total	<u>\$ 1,111,082</u>	<u>\$ 1,111,082</u>

These deposits are stated at cost which approximates market value. The certificates of deposits totaling \$1,107,370 include deposits within four separate banks. Collateralization of the \$1,107,370 in certificates of deposit is as described in *Footnote 2 – Cash and Cash Equivalents*.

All mortgage certificates are in the name of the District (book entry only) and are held by Sterne Agee Securities. Because the mortgage certificates are in the name of the District and are held by its agent, the mortgage certificates are considered insured and registered, GASB Category 1, in applying the credit risk of GASB Codification Section I50.164.

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

4. Receivables

The following is a summary of receivables at December 31, 2012 and 2011:

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 31,169	\$ 29,324	\$ 1,845
31-60 Days Past Due	9,269	8,194	1,075
61-90 Days Past Due	2,444	4,172	(1,728)
Over 90 Days Past Due	2,299	-	2,299
Subtotal	<u>45,181</u>	<u>41,690</u>	<u>3,491</u>
Allowance for Uncollectible Accounts	(3,500)	(3,500)	-
Net Accounts Receivable	<u>\$ 41,681</u>	<u>\$ 38,190</u>	<u>\$ 3,491</u>

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

Uncollectible amounts due from customers' receivables are recognized as bad debts at the time information becomes available indicating the uncollectibility of the particular receivable. The bad debts are charged off against an allowance account. Management feels the estimate for the bad debt allowance is sufficient to cover any bad debts recorded during the upcoming year. There was no recovered bad debt received during 2012.

5. Restricted Assets

The following is a summary of restricted assets at December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Restricted Cash and Cash Equivalents		
Customer Deposits	\$ 79,933	\$ 64,105
Total Restricted Assets	\$ 79,933	\$ 64,105

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2012 is as follows:

	Beginning Balance 12/31/11	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/12
Capital Assets Being Depreciated				
Gas Line System	\$ 467,976	\$ -	\$ -	\$ 467,976
Maintenance Equipment	58,264	-	-	58,264
Office Equipment	5,965	-	-	5,965
Total Capital Assets Being Depreciated	532,205	-	-	532,205
Less Accumulated Depreciation	(420,789)	(7,645)	-	(428,434)
Total Capital Assets, Net	\$ 111,416	\$ (7,645)	\$ -	\$ 103,771

Depreciation expense for the fiscal year ending December 31, 2012, totaled \$7,645.

7. Intergovernmental Agreement

The District entered into a service agreement with the Varnado Waterworks District. The Varnado Waterworks District will perform all necessary functions involving meter reading, billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records, for the District. The fee for this service will be based on the operating cost of the Varnado Waterworks District. A rate per customer per month will be calculated annually and paid each month. The rate for 2012 and 2011 was \$2.35 per customer per billing. An additional \$0.65 per customer per billing was charged separately for meter reading services, effective February 8, 2011. Total billing expenses according to this intergovernmental agreement totaled \$11,817 and \$15,208 respectively for billing fees and \$3,021 and \$2,848 respectively for meter reading services.

Washington Parish Gas Utility District Number One
Notes to the Financial Statements
December 31, 2012

The District will be billed separately for any repair and maintenance provided by the Varnado Waterworks District. Accurate hourly records of personnel records involved in repairs shall be kept and Washington Parish Gas Utility District Number One will be billed monthly at twice the Varnado Waterworks District employees' hourly rate. All materials, parts and supplies will be paid directly by the District incurring the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the District \$0.35 per mile for work done on their system. Annually, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, so Washington Parish Gas Utility District Number One pays its portion of the actual costs.

8. Litigation and Claims

At December 31, 2012, there were no litigations or claims against the District.

9. Related Party Transactions

There were no related party transactions requiring additional disclosure in the financial statements.

10. Prior Period adjustment

During the year 2012, it was discovered that an old CD in the amount of \$4,565 and \$2,250 in accrued interest on a current CD were not included in the financial statements for 2011. This increased beginning net position for 2012 by \$6,815. The 2011 financial statements have been restated for this adjustment.

11. Subsequent Events

These financial statements considered subsequent events through June 14, 2013, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2012.

Other Supplemental Information

Washington Parish Gas Utility District Number One
Budgetary Comparison Schedule

For the year ended December 31, 2012

With comparative amounts for the fiscal year ended December 31, 2011

	2012 Budget	2012 Actual	Variance Favorable (Unfavorable)	2011 Actual
Operating Revenues				
Gas Sales	\$ 185,300	\$ 208,638	\$ 23,338	\$ 272,581
Less Cost of Gas Sold	(96,000)	(82,147)	13,853	(101,745)
Gross Profit on Gas Sales	89,300	126,491	37,191	170,836
Other	6,550	7,046	496	7,706
Total Operating Revenues	<u>95,850</u>	<u>133,537</u>	<u>37,687</u>	<u>178,542</u>
Operating Expenses				
Billing Costs	12,000	11,817	183	15,208
Board of Commissioners	4,000	3,520	480	2,860
Depreciation	10,000	7,645	2,355	7,645
Insurance	28,000	28,490	(490)	26,666
Meter Reading	4,000	3,021	979	2,848
Other	5,650	5,075	575	6,610
Payroll Taxes	3,000	2,624	376	2,744
Professional Fees	9,700	9,700	-	9,450
Repairs and Maintenance	11,000	8,924	2,076	6,484
Salaries and Wages	33,800	30,655	3,145	33,188
Supplies	500	487	13	103
Travel and Seminars	6,500	6,402	98	9,019
Utilities	(180)	108	(288)	-
Total Operating Expenses	<u>127,970</u>	<u>118,468</u>	<u>9,502</u>	<u>122,825</u>
Operating Income (Loss)	<u>(32,120)</u>	<u>15,069</u>	<u>47,189</u>	<u>55,717</u>
Nonoperating Revenues (Expenses)				
Unrealized Gain (Loss) on Investments	-	(223)	(223)	1,435
Realized Gain (Loss) on Investments	500	-	(500)	-
Interest Income	22,000	26,236	4,236	30,200
Total Nonoperating Revenues (Expenses)	<u>22,500</u>	<u>26,013</u>	<u>3,513</u>	<u>31,635</u>
Change in Net Position	(9,620)	41,082	50,702	87,352
Total Net Position, Beginning	<u>1,760,086</u>	<u>1,760,086</u>	<u>-</u>	<u>1,672,734</u>
Total Net Position, Ending	<u>\$ 1,750,466</u>	<u>\$ 1,801,168</u>	<u>\$ 50,702</u>	<u>\$ 1,760,086</u>

See independent accountant's review report.

Schedule 2

**Washington Parish Gas Utility District Number One
Schedule of Insurance
For the year ended December 31, 2012**

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Nautilus Insurance Company BK000501403	Commercial General Liability General Aggregate Limit Each Occurrence Limit Personal and Advertising Injury	 \$ 2,000,000 1,000,000 1,000,000	6/11/2012 to 6/11/2013
American Empire Surplus 2EX10497	Umbrella per Occurrence	1,000,000	6/11/2012 to 6/11/2013
Darwin Select Insurance 0202-0709	Employer Practices Liability	1,000,000	6/11/2012 to 6/11/2013
LA Workers Comp. Corp. 52455-A	Worker's Compensation Employers Liability: Per Accident Policy Limit Each Employee	 1,000,000 1,000,000 1,000,000	4/25/2012 4/25/2013

See independent accountant's review report.

Schedule 3

**Washington Parish Gas Utility District Number One
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2012**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Stanley Seal, President (985) 732-7904	25246 Military Road Angie, LA 70426	715	12/31/14
Gary Pierce, Vice President (985) 732-3901	61034 Dollar Road Angie, LA 70426	715	12/31/15
Hayward Boone (985) 732-7660	60921 Seal Road Angie, LA 70426	660	12/31/12
Huey Bickham (985) 986-3770	3045 Johnny Will Jones Road Angie, LA 70426	715	12/31/12
Tom Pigott (985) 735-0450	22485 Mitch Road Bogalusa, LA 70427	715	12/31/13
		<u>\$ 3,520</u>	

See independent accountant's review report.

Washington Parish Gas Utility District Number One
Schedule of Gas Rates and Number of Customers
For the year ended December 31, 2012

Gas

Residential Rates	Commercial Rates
\$ 6.000 - First 500 Cubic Feet	\$ 6.500 - First 500 Cubic Feet
\$ 1.818 - Per 100 Cubic Feet for Next 3,500 Cubic Feet	\$ 1.874 - Per 100 Cubic Feet for Next 9,500 Cubic Feet
\$ 1.799 - Per 100 Cubic Feet for Next 16,000 Cubic Feet	\$ 1.837 - Per 100 Cubic Feet for Next 30,000 Cubic Feet
\$ 1.724 - Per 100 Cubic Feet for all over 20,000 Cubic Feet	\$ 1.781 - Per 100 Cubic Feet for all over 40,000 Cubic Feet
Industrial Rates	

Based Price Per MCF Plus 67%

As of December 31, 2012 and 2011, the district had the following number of customers:

	December 31, 2012	December 31, 2011	Increase (Decrease)	December 31, 2010
Customers				
Active	388	403	(15)	403
Total Customers	388	403	(15)	403

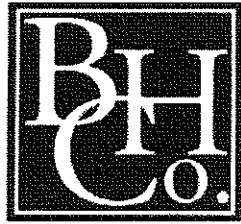
See independent accountant's review report.

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Kristi U. Bergeron, CPA
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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Washington Parish Gas Utility District Number One
Varnado, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Washington Parish Gas Utility District Number One and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the fiscal year ended December 31, 2012, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with 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 the 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.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Response:

There were no expenditures for fiscal year ended December 31, 2012 that were subject to the bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Response:

Management provided us with the required list.

**Board of Commissioners
Washington Parish Gas Utility District Number One
Varnado, Louisiana**

3. Obtain from management a listing of all employees paid during the period under examination.

Response:

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

Response:

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Response:

Management provided us with a copy of the original budget. We were also provided with a copy of the amended budget for the year.

6. Trace the budget adoption and amendments to the minute book.

Response:

We traced the adoption of the original budget to the minutes which indicated that the budget had been adopted by the commissioners. Amendments were made to the budget during the year and had also been adopted by the commissioners.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by five percent or more or if actual expenditures exceed budgeted amounts by five percent or more.

Response:

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues for the year were not below budgeted amounts and actual expenditures did not exceed budgeted amounts by more than five percent. The District operates under an Enterprise Fund and is not subject to the provisions of the law for General and Special Revenue funds.

**Board of Commissioners
Washington Parish Gas Utility District Number One
Varnado, Louisiana**

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:
- a. Trace payments to supporting documentation as to proper amount and payee.
 - b. Determine if payments were properly coded to the correct fund and general ledger account.
 - c. Determine whether payments received approval from proper authorities.

Response:

- a. We examined supporting documentation for each of the six selected disbursements and determined they were for the proper amount and to the approved payee.
- b. All payments were properly coded to correct fund and general ledger account.
- c. Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant and the chairman of the Board of Commissioners. In addition, each of the disbursements was traced to the district's minute book where they were approved by the full commission.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Response:

The District is only required to post a notice of each meeting and the accompanying agenda on the door of the District's office building. We noted a copy of the notice was posted as required.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

Response:

The District has no long-term debt.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

Response:

A reading of the minutes of the District and transactions reviewed for the year indicated no payments to employees which would constitute bonuses, advances, or gifts.

The prior year report did not include any comments or unresolved matters.

We were not engaged to, and did not, perform an examination, 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.

**Board of Commissioners
Washington Parish Gas Utility District Number One
Varnado, Louisiana**

This report is intended solely for the use of management of Washington Parish Gas Utility District Number One and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 14, 2013

(Concluded)

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

For: Washington Parish Gas Utility District Number One
Fiscal Year Ending: December 31, 2012

Bruce Harrell & Company, CPAs
P.O. Box 45
909 Avenue G
Kentwood, LA 70444

In connection with your review of our financial statements as of December 31, 2012 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 30, 2013.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212-2296, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-15) R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, where applicable.

Yes No

Washington Parish Gas Utility District Number One

We have had our financial statements reviewed in accordance with LSA-RS 24:513.

Yes [X] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:11 through 42:28.

Yes [X] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [X] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [X] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Mary Adams Secretary 5-28-13 Date

Treasurer _____ Date

Stanley Seal President 5-28-13 Date