

**GAS UTILITY DISTRICT NO. 1
OF LIVINGSTON PARISH
HOLDEN, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED NOVEMBER 30, 2015**

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

FOR THE YEAR ENDED NOVEMBER 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report.....	1
Required Supplementary Information	
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements.....	12
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	20
Schedule of Findings	22
Supplemental Information	
Gas Customers and Rates.....	23
Gas Sales and Purchases	23
Schedule of Compensation, Benefits, and Other Payments.....	24

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INDEPENDENT AUDITORS' REPORT

**Board Members of the
Gas Utility District No. 1 of Livingston Parish
P.O. Box 215
Holden, Louisiana 70744**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Gas Utility District No. 1 of Livingston Parish (a component unit of the Livingston Parish Council) as of and for the year ended November 30, 2015, which collectively comprise the Gas Utility District No. 1 of Livingston Parish's basic financial statements as listed in the table of contents and the related notes to the financial statements.

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 respective financial position of the business-type activities of the Gas Utility District No. 1 of Livingston Parish as of November 30, 2015, and the respective changes in financial position 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 the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 Gas Utility District No. 1 of Livingston Parish's basic financial statements. The Other Supplemental Information Required by the USDA and the Schedule of Compensation, Benefits, and Other Payments to the Board of Commissioners are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2016, on our consideration of the Gas Utility District No. 1 of Livingston Parish's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Latuso & Johnson CPA, LLC

Latuso & Johnson, CPA, LLC
Baton Rouge, Louisiana
May 27, 2016

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2015

Our discussion and analysis of the Gas Utility District No. 1 of Livingston Parish's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 2015. It is designed to focus on the current year's activities, resulting changes, and currently known facts. Please read it in conjunction with the District's basic financial statements, which follow this section.

Gas Utility District No. 1 of Livingston Parish, a component unit of the Livingston Parish Council ("LPC"), constitutes a legal entity separate and apart from LPC and was created for the purpose of providing natural gas service to rural areas of Livingston Parish.

FINANCIAL HIGHLIGHTS

- Assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,108,343 (net position). Unrestricted fund net position amounted to \$933,878 and may be used to meet ongoing operations and obligations.
- Total net position of the District increased this year by \$224,175. This compares to the prior year's increase in net position of \$87,532.
- The major changes to property, plant and equipment during this year were the replacement and extension of gas mains.

USING THIS ANNUAL REPORT

This report consists of:

- Management's Discussion and Analysis provides a narrative of the District's financial performance and activities for the year ended November 30, 2015.
- The Basic Financial Statements provide readers with information about the District's activities and financial position, in a manner similar to a private-sector business.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The Basic Financial Statements consist of three elements:

1. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Evaluating the changes (increases and decreases) in net position over time may serve as a useful indicator of whether the financial position of the District is declining or improving.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2015

USING THIS ANNUAL REPORT - (CONTINUED)

2. The Statement of Revenues, Position, Expenses, and Changes in Fund Net Position presents information on how the District's net position changed during the most recent fiscal year. The statement uses the accrual basis of accounting, similar to that used by private-sector businesses. All revenues and expenses are reported regardless of the timing of when cash is received or paid.
3. The Statement of Cash Flows presents information showing how the District's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of financial position. Assets of the District exceeded its liabilities at the close of the fiscal year by \$2,108,343 (net position). The total net position at November 30, 2015 increased over the prior year by \$224,175 or 11.9%. Net income increased \$136,643 or 156.1%, mainly due to an increase to the rates charged to customers as well as a decrease in natural gas costs.

Total revenues for 2015 increased compared to 2014 as a direct result of the previously mentioned price increase. Natural gas purchases from 2014 to 2015 decreased by \$127,771 or 35.7%. However, the quantity of gas purchased decreased by only 9,919 MCF's or 13.8%.

SUMMARY STATEMENT OF NET POSITION

	<u>November 30,</u>		<u>INCREASE (DECREASE)</u>	
	<u>2015</u>	<u>2014</u>	<u>AMOUNT</u>	<u>PERCENT</u>
ASSETS				
Current assets	\$ 966,499	\$ 824,273	\$ 142,226	17.3%
Restricted assets	75,344	68,119	7,225	10.6%
Capital assets, net of depreciation	1,174,465	1,101,558	72,907	6.6%
Other assets	838	838	-	-
Total assets	2,217,146	1,994,788	222,358	11.1%
LIABILITIES				
Current liabilities	33,459	42,501	(9,042)	(21.3)%
Current liabilities payable from restricted assets	75,344	68,119	7,225	10.6%
Total liabilities	108,803	110,620	(1,817)	(1.6)%

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - (CONTINUED)

	November 30,		INCREASE (DECREASE)	
	2015	2014	AMOUNT	PERCENT
NET POSITION				
Invested in capital assets	1,174,465	1,101,558	72,907	6.6%
Unrestricted	933,878	782,610	151,268	19.3%
Total net position	<u>\$2,108,343</u>	<u>\$1,884,168</u>	<u>\$ 224,175</u>	<u>11.9%</u>

The tables below provide a summary of revenues and expenses for the years ended November 30, 2015 and 2014:

CHANGES IN NET POSITION

	November 30,		INCREASE (DECREASE)	
	2015	2014	AMOUNT	PERCENT
REVENUES:				
Gas revenues	\$ 942,049	\$ 894,279	47,770	5.3%
Interest earned	2,900	3,290	(390)	(11.9)%
Total revenues	<u>944,949</u>	<u>897,569</u>	<u>47,380</u>	<u>5.3%</u>
EXPENSES:				
Repairs, maintenance, supplies	239,787	216,547	23,240	10.7%
Natural gas purchases consumed	221,922	357,863	(135,941)	(38.0)%
Management fees	104,181	102,594	1,587	1.5%
Depreciation	37,666	35,449	2,217	6.3%
Commissioners compensation	30,945	31,766	(821)	(2.6)%
Professional services	23,696	26,456	(2,760)	(10.4)%
Administrative expenses	21,061	14,815	6,246	42.2%
Survey costs	18,855	2,400	16,455	685.6%
Disconnect fees	11,180	10,990	190	1.7%
Utilities	5,039	4,699	340	7.2%
Insurance	3,241	3,773	(532)	(14.1)%
Bad debts	3,201	2,685	516	19.2%
Total expenses	<u>720,774</u>	<u>810,037</u>	<u>(89,263)</u>	<u>(11.0)%</u>
Net change in net position	<u>224,175</u>	<u>87,532</u>	<u>136,643</u>	<u>156.1%</u>
Percent to total revenues	<u>23.7%</u>	<u>9.8%</u>		

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2015

CAPITAL ASSETS

Gas Utility District No. 1 of Livingston Parish's largest capital asset is the gas plant system which was built in two phases. The first phase was completed in 1962 and the second phase was completed in 1964. Several extensions have been added to the system, however, the large majority of the gas system is approximately 50 years old.

CAPITAL ASSETS

	<u>November 30,</u>		<u>INCREASE (DECREASE)</u>	
	<u>2015</u>	<u>2014</u>	<u>AMOUNT</u>	<u>PERCENT</u>
Land	\$ 975	\$ 975	-	-
Utility plant	2,129,977	2,019,405	110,572	5.5%
Equipment and meters	108,639	108,639	-	-
	<u>2,239,591</u>	<u>2,129,019</u>	<u>110,572</u>	<u>5.2%</u>
Accumulated depreciation	<u>(1,065,126)</u>	<u>(1,027,461)</u>	<u>(37,665)</u>	<u>3.7%</u>
	<u>\$ 1,174,465</u>	<u>\$ 1,101,558</u>	<u>72,907</u>	<u>6.6%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

There are no significant changes projected in the District's rates or costs for 2016. The District's customer base is fairly steady (926, 906, and 888, at November 30, 2015, 2014 and 2013, respectively). The primary variable expense for the District is gas purchases. The Board has eliminated the risk of increasing gas prices by basing the gas charges on the cost of gas.

BOARD OF COMMISSIONERS

The Board of Commissioners was comprised of the following individuals:

Frank Murphy, Treasurer
John Hellmers, Secretary
Johnnie A. Johnson, President
Butch Mack
Gilbert Hutchinson

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2015

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Secretary, Gas Utility District No. 1 of Livingston Parish, P. O. Box 215, Holden, LA 70744.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA
STATEMENT OF NET POSITION
NOVEMBER 30, 2015**

ASSETS

CURRENT ASSETS:

Cash	\$ 214,957
Investments	683,002
Restricted assets (consumer deposits) - cash and investments	75,344
Accounts receivable (net)	45,255
Unbilled receivables	16,239
Inventory	5,038
Prepaid expenses	2,008
Total current assets	<u>1,041,843</u>

NONCURRENT ASSETS:

Capital assets (net)	1,174,465
Utility deposits	838
Total noncurrent assets	<u>1,175,303</u>

Total Assets	<u>2,217,146</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	31,238
Accrued payroll deductions	1,813
Sales tax payable	408
Consumer meter deposits payable	75,344
Total current liabilities	<u>108,803</u>

NET POSITION

Invested in capital assets	1,174,465
Unrestricted - undesignated	<u>933,878</u>
Total Net Position	<u><u>\$ 2,108,343</u></u>

See accompanying notes to the financial statements

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED NOVEMBER 30, 2015**

OPERATING REVENUES

Charges for services	
Gas sales	\$ 904,641
Other charges	<u>37,408</u>
 Total Operating Revenues	 <u>942,049</u>

OPERATING EXPENSES

Repairs, maintenance, supplies	239,787
Natural gas purchases consumed	221,922
Management fees	104,181
Depreciation	37,666
Commissioners compensation	30,945
Professional services	23,696
Administrative expenses	21,061
Survey costs	18,855
Disconnect fees	11,180
Utilities	5,039
Insurance	3,241
Bad debts	<u>3,201</u>
 Total Operating Expenses	 <u>720,774</u>

NET OPERATING INCOME	<u>221,275</u>
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NONOPERATING REVENUE

Interest earned	<u>2,900</u>
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CHANGE IN NET POSITION	224,175
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NET POSITION - Beginning	<u>1,884,168</u>
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NET POSITION - Ending	<u><u>\$ 2,108,343</u></u>
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See accompanying notes to the financial statements

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 995,137
Payments to suppliers	(655,521)
Payments to employees and benefits	<u>(31,035)</u>
Net cash provided by operating activities	<u>308,581</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Purchase of property, plant, and equipment	<u>(110,573)</u>
Net cash used by capital and related financing activities	<u>(110,573)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	2,900
Investments redeemed, net	<u>(9,029)</u>
Net cash provided by investing activities	<u>(6,129)</u>

Net increase in cash and cash equivalents	191,879
Cash and cash equivalents - beginning of year	<u>23,078</u>
Cash and cash equivalents - end of year	<u><u>\$ 214,957</u></u>

**Reconciliation of net operating income to net cash
provided by operating activities**

Net operating income	\$ 221,275
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	37,666
Provision for bad debts	3,201
Change in assets and liabilities:	
Decrease in receivables	45,455
Decrease in inventory	3,062
Decrease in prepaid expenses	(261)
Decrease in accounts payable	(9,360)
Increase in meter deposits	7,225
Increase in other liabilities	<u>318</u>
Net cash provided by operating activities	<u><u>\$ 308,581</u></u>

See accompanying notes to the financial statements

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS

Gas Utility District No. 1 of Livingston Parish, Holden, Louisiana (the "District") was created November 10, 1961, by the Livingston Parish Council, under Act 415 of the Acts of Louisiana for 1960 (Sec. 4301, et seq. of Title 33, LA Revised Statutes). The District operates under a Board of Commissioners appointed by the Livingston Parish Council.

FINANCIAL REPORTING ENTITY

The District is a component unit of the Livingston Parish Council, the financial reporting entity. The Livingston Parish Council is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on the District.

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

BASIS OF PRESENTATION

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

FINANCIAL STATEMENTS

The District has adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

FINANCIAL STATEMENTS - (CONTINUED)

- Management's discussion and analysis (MD&A)
- Statement of net position
- Statement of revenues, expenses, and changes in net position
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable

The District is a special purpose government engaged only in business-type activities.

FUND ACCOUNTING

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

BASIS OF ACCOUNTING

GASB Statement No. 34 established standards for external reporting for all state and local government entities which includes a statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. It requires the classification of net position into three components (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. The District does not have restricted net position. These classifications are defined as follows:

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.

Unrestricted net position - This component of net position consists of the net amount of assets and liabilities that do not meet the definition of "restricted" or "invested in capital assets."

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, then toward unrestricted resources.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

BASIS OF ACCOUNTING - (CONTINUED)

The adoption of GASB Statement No. 34 had no effect on the basic financial statements except for the classification of net position and the reflections of capital contributions as a change in net position. Additionally, the Statement required management of the District to prepare a Management's Discussion and Analysis.

The District accounts for its activities on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the balance sheet. The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that they do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Although the District has the option to follow subsequent private sector guidance issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are natural gas sales to residential and commercial users. Operating expenses for the District include the cost to distribute natural gas, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash includes amounts in interest-bearing demand deposit accounts and savings deposit accounts. Under state law, the District may invest funds in obligations of the U.S. Treasury and U.S. agencies, money market accounts, savings accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Cash and certificates of deposit are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments, which consist of certificates of deposits with local banks, are stated at market value. For the Statement of Cash Flows, cash and investments in restricted accounts are not considered to be cash equivalents.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

RESTRICTED ASSETS

Restricted assets on the balance sheet represents funds held for customer deposits.

ACCOUNTS RECEIVABLE AND BAD DEBTS

Accounts receivable represent amounts owed to the District from customer gas usage. When an account becomes more than 30 days old and services to that account have been disconnected, an allowance for bad debt is established for the balance of the account. At November 30, 2015, the allowance for bad debt is \$9,703.

The District requires a deposit on account from its customers as a source of collateral.

INVENTORY

The District usually maintains an inventory of natural gas. Generally, the District purchases inventory gas in September or October before gas prices begin to rise in the winter. The inventory of gas is used during the cold months when gas prices are highest and generally used up by the end of March. The District's gas inventory, if any, is recorded at lower of cost or market on average costs basis. As of November 30, 2015 inventory on hand totaled \$5,038.

CAPITAL ASSETS

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on depreciable property using the straight-line method. Estimated useful lives are as follows:

Gas Plant System	10 - 40 Years
Equipment and meters	7 - 10 Years

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

PREPAID EXPENSES

The District accounts for prepaid expenses using the consumption method. A prepaid expense is recognized when a cash expenditure is made for goods or services that were purchased for consumption but are unconsumed as of the end of the fiscal year.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, and operating liabilities approximate fair value due to the short-term maturity of these instruments.

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 could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.

NOTE 2 - CASH AND INVESTMENTS

The following is a summary of cash and investments as reflected on the financial statements at November 30, 2015:

Interest-bearing demand deposits	\$ 261,457
Savings account	3,819
Certificates of deposit	<u>708,027</u>
Total	<u>\$973,303</u>

These deposits are stated at cost, which approximates market. Under state statutes, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. 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.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

At November 30, 2015, the District has \$976,220 in deposits (collected bank balances). These deposits are secured from risk by up to \$750,000 of federal deposit insurance and \$1,399,444 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 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 that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>11/30/2014</u>	<u>ADDITIONS</u>	<u>11/30/2015</u>
Land	\$ 975	\$ -	\$ 975
Utility plant	2,019,405	110,572	2,129,977
Equipment and meters	108,639	-	108,639
	<u>2,129,019</u>	<u>110,572</u>	<u>2,239,591</u>
Accumulated depreciation	<u>(1,027,461)</u>	<u>(37,665)</u>	<u>(1,065,126)</u>
	<u>\$ 1,101,558</u>	<u>\$ 72,907</u>	<u>\$ 1,174,465</u>

NOTE 4 - CONTINGENCIES

LITIGATION

There is no pending litigation against the District.

RISK MANAGEMENT

The District carries commercial insurance for its only major category of risk which is general liability. There have been no significant reductions in insurance coverage for the current year. Settlement amounts have not exceeded insurance coverage for the current year or prior years.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - MAJOR SUPPLIER

The District purchases all of its gas through the Louisiana Municipal Gas Authority (LMGA). A change in suppliers could have a negative impact on the cost and terms currently obtained through the LMGA.

NOTE 6 - MAJOR CUSTOMERS

During the year ended November 30, 2015, the District's two largest commercial customers comprised 18.8% and 14.8% of total gas sales.

NOTE 7 - PROFESSIONAL SERVICE CONTRACTS

BILLING, COLLECTION, MAINTENANCE

The District has entered into a maintenance agreement with O & M Management Services, LLC ("Management") to read meters, bill customers and collect payments on a monthly basis. Management is paid \$9.50 per customer per month to perform these services. During the year, Management received \$104,181 from the District for the performance of these services.

Additionally, O&M Management is paid for customer mail outs, new service taps, disconnects, and performs repairs and improvements to the systems as needed at the rate of \$150 per hour plus materials costs. During the year, Management received \$269,715 from the District for the performance of these services.

NOTE 8 - LOUISIANA DEFERRED COMPENSATION PLAN

All of the employees of the District are eligible to participate in the State of Louisiana deferred compensation plan. Employees may contribute up to 100% of their salary (not to exceed \$18,000 a year) to the plan on a pre-tax basis. The contributions are withheld from the employees' paychecks. The District matches up to 15% of each employee's compensation. The contributions are fully vested immediately and are remitted to a third-party administrator each month, where they are deposited to an account in the employee's name. The District does not assume any liability for the funds and does not have any control over the funds once they are remitted to the third party administrator.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - SUBSEQUENT EVENTS

Management of the Organization has evaluated all subsequent events through May 27, 2016, the date the financial statements were available to be issued. No additional disclosures are considered necessary.

Latuso and Johnson CPA, LLC

Certified Public Accountants

11929 Bricksome Ave. • Baton Rouge, LA 70816
Tel (225) 293.8300 • Fax (225) 293.8303

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
Gas Utility District No. 1 of Livingston Parish
Holden, Louisiana**

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 business-type activities of Gas Utility District No. 1 of Livingston Parish, as of and for the year ended November 30, 2015, and the related notes to the financial statements, which collectively comprise Gas Utility District No. 1 of Livingston Parish's basic financial statements, and have issued our report thereon dated May 27, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described as item 2015-1 in the accompanying schedule of findings, that we consider to be a significant deficiency.

Compliance and Other Matters

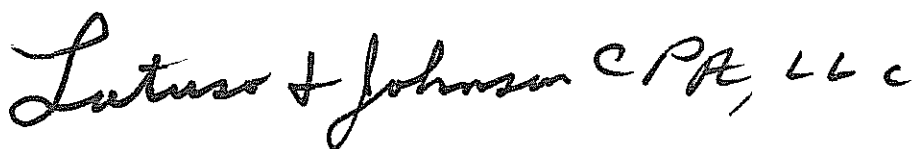
As part of obtaining reasonable assurance about whether Gas Utility District No. 1 of Livingston Parish's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Gas Utility District No. 1 of Livingston Parish's response to the finding identified in our audit is described in the accompanying schedule of findings. Gas Utility District No. 1 of Livingston Parish'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 Gas Utility District No. 1 of Livingston Parish'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 Gas Utility District No. 1 of Livingston Parish's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Latuso & Johnson CPA, LLC". The signature is written in a cursive, flowing style.

Latuso & Johnson, CPA, LLC
Baton Rouge, Louisiana
May 27, 2016

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA**

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2015

SECTION A - SUMMARY OF AUDITORS' REPORTS

- The auditors' report expresses an unmodified opinion on the financial statements of Gas Utility District No. 1 of Livingston Parish, Louisiana
- No material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements. One significant deficiency was reported.
- No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

SECTION B - CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Finding 2015-1: Gas price changes for the District are typically adopted via an approved motion at a monthly Board meeting. In February 2015, the Board approved an increase in gas prices effective May 1, 2015 at its monthly meeting; however, O&M management had put the change into effect March 1, 2015.

Our recommendation: We recommend the Board confer with O&M in writing regarding the district's rate increases and review the rate changes on O&M Billing reports.

Management's response: Management intends to discuss the finding at the next board meeting, and take appropriate action.

SECTION C - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2014-1 Finding: Gas price changes for the District are typically adopted via an approved motion at a monthly Board meeting. In May 2014, the Board approved an increase in gas prices effective June 1, 2014 at its monthly meeting. However, only the approval of the change in residential gas prices was documented in the minutes to the Board meeting, even though residential and commercial rates increased by different amounts.

Action Taken: Management amended the May 2014 minutes in the May 2015 minutes to reflect the rate changes effective June 2014.

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA
SUPPLEMENTAL INFORMATION REQUIRED BY USDA
FOR THE YEAR ENDED NOVEMBER 30, 2015**

GAS CUSTOMERS AND RATES

During the year ended November 30, 2015, the District billed the residential customers at a rate of \$13.00 plus the cost of gas per MCF (1,000 cubic feet) over 500 cu ft. Commercial customers are billed at a variable rate based on the fair market value of natural gas and level of usage. The minimum billing is \$13.14 for the first 500 cu ft.

GAS SALES AND PURCHASES

	<u>AMOUNT</u>	<u>MCF</u>
Gas sales billed	\$ 913,378	61,524
Gas purchased	\$ 230,093	(60,121)
Decrease in inventory		<u>(3,062)</u>
Net loss of MCF		<u><u>(1,659)</u></u>
Number of customers at November 30, 2015		926
Average monthly customers billed for year		915
Sales:		
Average billings per customer per year		\$ 998
Average per customer per month		\$ 83
Average sales per MCF		\$ 14.85
Average cost of sales per MCF		\$ 3.69

See independent auditors' report

**GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
HOLDEN, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO THE BOARD OF COMMISSIONERS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

Board members are paid \$75 for each meeting and day spent on District business. In addition, the Treasurer and Secretary are paid \$500 per month for services to the District. In compliance with Act 706 of the 2014 Legislative Session of the Louisiana Legislature, compensation paid to the board members is as follows:

	<u>PER DIEM</u>	<u>SALARY</u>	<u>DEFERRED COMPENSATION EMPLOYER CONTRIBUTION</u>	<u>REIMBURSED TRAVEL</u>
John Hellmers, Secretary	\$ 3,150	\$ 6,000	\$ 1,373	\$ 96
Frank Murphy, Treasurer	3,225	6,000	1,384	1,083
Johnny Johnson	3,600	-	270	529
Butch Mack	3,600	-	360	451
Gilbert Hutchinson	<u>1,725</u>	<u>-</u>	<u>259</u>	<u>-</u>
	<u>\$ 15,300</u>	<u>\$ 12,000</u>	<u>\$ 3,646</u>	<u>\$ 2,159</u>

None of the above individuals are designated as the agency head.

See independent auditors' report