

**GAS UTILITY DISTRICT NO. 1
OF LIVINGSTON PARISH**

**A COMPONENT UNIT OF LIVINGSTON
PARISH COUNCIL**

Financial Report

Year Ended November 30, 2017

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KOLDER, SLAVEN & COMPANY, LLC

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* A Professional Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

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To the Board of Commissioners
Gas Utility District No. 1 of Livingston Parish
Holden, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District No. 1 of Livingston Parish, as of November 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018, on our consideration of Gas Utility District No. 1 of Livingston Parish's internal control over financial reporting and on our tests 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* in considering Gas Utility District No. 1 of Livingston Parish's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Baton Rouge, Louisiana
May 30, 2018

BASIC FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Statement of Net Position
November 30, 2017

ASSETS

CURRENT ASSETS

Cash and interest-bearing deposits	\$ 759,724
Accounts receivable (net)	48,158
Unbilled receivables	28,517
Other receivables	11,106
Inventory	5,822
Prepaid expenses	<u>2,004</u>
Total current assets	<u>855,331</u>

NONCURRENT ASSETS

Restricted assets:	
Cash and interest-bearing deposits	<u>80,049</u>
Capital assets:	
Land	975
Utility plant and equipment, net	<u>1,348,763</u>
Total capital assets, net	<u>1,349,738</u>
Other assets:	
Utility deposits	<u>838</u>
Total noncurrent assets	<u>1,430,625</u>
Total assets	<u>2,285,956</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	37,811
Due to customers	8,704
Accrued liabilities	<u>2,685</u>
Total current liabilities	49,200

CURRENT LIABILITIES (payable from restricted assets)

Customers' deposits	<u>80,049</u>
Total liabilities	<u>129,249</u>

NET POSITION

Net investment in capital assets	1,349,738
Unrestricted	<u>806,969</u>
Total net position	<u>\$ 2,156,707</u>

The accompanying notes are an integral part of the basic financial statements.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended November 30, 2017

Operating revenues:	
Gas sales	\$ 749,546
Other charges	<u>35,085</u>
Total operating revenues	<u>784,631</u>
Operating expenses:	
Administrative expenses	17,027
Bad debts	785
Commissioners compensation	31,894
Depreciation	43,576
Disconnect fees	11,240
Insurance	3,608
Management fees	100,776
Natural gas purchases	346,184
Professional services	24,740
Repairs, maintenance, supplies	263,981
Survey costs	21,180
Utilities	<u>5,634</u>
Total operating expenses	<u>870,625</u>
Operating loss	(85,994)
Nonoperating revenues (expenses):	
Interest income	<u>1,597</u>
Change in net position	(84,397)
Net position, beginning	<u>2,241,104</u>
Net position, ending	<u>\$ 2,156,707</u>

The accompanying notes are an integral part of the basic financial statements.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Statement of Cash Flows
For the Year Ended November 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 784,193
Payments to suppliers for goods and services	(788,815)
Payments to employees and for employee related costs	<u>(31,761)</u>
Net cash used by operating activities	<u>(36,383)</u>

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Net increase in meter deposits	1,365
Purchase of property, plant, and equipment	<u>(135,048)</u>
Net cash used by capital and related financing activities	<u>(133,683)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of interest-bearing deposits	(713,810)
Maturities of interest-bearing deposits	708,537
Interest received	<u>1,597</u>
Net cash used by investing activities	<u>(3,676)</u>

Net decrease in cash and cash equivalents (173,742)

Cash and cash equivalents, beginning of the year 299,705

Cash and cash equivalents, end of the year \$ 125,963

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Statement of Cash Flows (Continued)
For the Year Ended November 30, 2017

RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (85,994)
Adjustments to reconcile operating loss	
to net cash used by operating activities:	
Depreciation	43,576
Bad debts	785
Change in assets and liabilities:	
Accounts receivable	8,610
Unbilled receivables	(8,128)
Other receivables	12,483
Inventory	(1,948)
Prepaid expenses	4
Accounts payable	(4,985)
Due to customers	250
Accrued liabilities	<u>(1,036)</u>
Net cash used by operating activities	<u>\$ (36,383)</u>
Cash and cash equivalents, beginning of period	
Cash - unrestricted	\$ 221,021
Cash - restricted	78,684
Interest-bearing deposits - unrestricted	708,537
Less: Interest-bearing deposits with a maturity over three months	<u>(708,537)</u>
Total	<u>299,705</u>
Cash and cash equivalents, end of period	
Cash - unrestricted	45,914
Cash - restricted	80,049
Interest-bearing deposits - unrestricted	713,810
Less: Interest-bearing deposits with a maturity over three months	<u>(713,810)</u>
Total	<u>125,963</u>
Net decrease	<u>\$ (173,742)</u>

The accompanying notes are an integral part of the basic financial statements.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Notes to the Basic Financial Statements

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Gas Utility District No. 1 of Livingston Parish (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.

The District, reported in these statements as a proprietary fund, prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB). The accompanying statements present only transactions of the District, a component unit of Livingston Parish Council.

B. Basis of Accounting

The District maintains its books and records of the full accrual basis of accounting and on the flow of economic resources measurement focus. The District applies all applicable professional standards in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The 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.

In some instances, GASB requires an entity to delay recognition of decreases in net position as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three components as follows:

1. Net investment in capital assets – This component consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
2. Restricted net position – This component is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Notes to the Basic Financial Statements (Continued)

3. Unrestricted net position – This component consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

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.

C. Cash Flows

For purposes of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

D. Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets relate to the customer deposits.

E. Accounts Receivable and Bad Debts

Accounts receivable represent amounts owed to the District from customer gas usage. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the collectability of the particular receivable. The allowance for uncollectible receivables was \$3,793 at November 30, 2017. Unbilled utility service receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

F. Inventory

The District maintains an inventory of natural gas. The inventory is recorded at lower of cost or market on average costs basis. As of November 30, 2017, inventory on hand totaled \$5,822.

G. Capital Assets

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Gas plant system	10 - 40
Equipment and meters	7 - 10

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Notes to the Basic Financial Statements (Continued)

H. 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.

I. Use of 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.

(2) Cash and Interest-Bearing Deposits

Under state law the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At November 30, 2017, the District had cash and interest-bearing deposits (book balances) totaling \$839,773 as follows:

Demand deposits	\$ 125,963
Certificates of deposit	<u>713,810</u>
Total	<u>\$ 839,773</u>

Custodial credit risk is the risk that in the event of a bank failure of a depository financial institution, the District's deposits may not be recovered. These deposits are stated at cost, which approximates fair value. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by 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 Basic Financial Statements (Continued)

Deposit balances (bank balances) at November 30, 2017, are secured as follows:

Bank balances	\$ 909,864
Federal deposit insurance	446,054
Pledged securities	463,810
Total federal deposit insurance and pledged securities	\$ 909,864

Deposits in the amount of \$463,810 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name. The District does not have a policy for custodial credit risk.

(3) Capital Assets

Capital asset activity for the year ended November 30, 2017 was as follows:

	Balance 12/1/2016	Additions	Deletions	Balance 11/30/2017
Capital assets not being depreciated:				
Land	\$ 975	\$ -	\$ -	\$ 975
Other capital assets:				
Utility plant	2,249,059	135,048	-	2,384,107
Equipment and meters	113,593	-	-	113,593
Totals	2,363,627	135,048	-	2,498,675
Less accumulated depreciation	1,105,361	43,576	-	1,148,937
Capital assets, net	\$ 1,258,266	\$ 91,472	\$ -	\$ 1,349,738

Depreciation expense charged to operations for the year ended November 30, 2017 was \$43,576.

(4) Litigation

There is no litigation pending against the District at November 30, 2017.

(5) 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 Basic Financial Statements (Continued)

(6) 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.

(7) Major Customers

During the year ended November 30, 2017, the District's two largest commercial customers comprised 26.2% and 12.9% of total gas sales.

(8) Professional Service Contracts

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 \$100,776 from the District for the performance of these services.

Additionally, 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, O&M Management received \$411,791 from the District for the performance of these services.

(9) 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. The District's contribution during the year ended November 30, 2017 was \$3,769.

(10) Compensation, Benefits, and Other Payments to the Board of Commissioners

Board Member	Per Diem	Salary	Deferred Compensation	Reimbursed Travel
John Hellmers, Secretary	\$ 3,525	\$ 6,000	\$ 1,429	\$ 147
Frank Murphy, Treasurer	3,525	6,000	1,429	1,332
Johnny Johnson	3,600	-	270	576
Butch Mack	3,600	-	360	598
Gilbert Hutchinson	1,875	-	281	-
	<u>\$ 16,125</u>	<u>\$ 12,000</u>	<u>\$ 3,769</u>	<u>\$ 2,653</u>

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

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S 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*

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To the Board of Commissioners
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 Gas Utility District No. 1 of Livingston Parish, as of and for the year ended November 30, 2017, 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 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion on the financial statements, but not for the purpose of expressing an opinion of 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did identify certain deficiencies in internal control, described in the summary schedule of current and prior year audit findings and management's corrective action plan as items 2017-001 and 2017-002, that we consider to be material weaknesses.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Baton Rouge, Louisiana
May 30, 2018

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended November 30, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
CURRENT YEAR (11/30/17) --						
<u>Internal Control:</u>						
2017-001	2017	The District did not have adequate controls in place to identify charges on a vendor invoice that were not in accordance with the terms of their contract. Additionally, the District was being charged for approximately six months by their gas supplier for gas flowing through a gate which was not owned or operated by the District. As a result, the District paid for services that were not in accordance with contract terms and/or services not received by the District. The District should implement policies and procedures to verify amounts being billed from vendors are appropriate prior to payment.	No	The District will review its policies and procedures and carefully review vendor invoices to ensure charges are in accordance with contractual agreements and services are received by the District.	John Hellmers, Secretary to the Board	11/30/2018
2017-002	2017	The District did not have proper procedures in place to monitor the customer billing services provided by their contractor. The District's customers were underbilled for the months of June and July 2017 due to a credit that was received by their gas supplier. The gas supplier had previously overbilled the District and those amounts were not billed to the customers; therefore, the credit received should not have reduced the amounts that were billed to the customers. The District should review and approve monthly customer billings prepared by their management company prior to being released to the customers.	No	The board will review the billing statement provided by O&M Management Services, LLC and ascertain the billing rate is correct.	John Hellmers, Secretary to the Board	11/30/2018

(Continued)

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended November 30, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
CURRENT YEAR (11/30/17) --						
<u>Management Letter:</u>						
2017-003	2017	The District's gas loss percentage is approximately 41.2% during fiscal year ended November 30, 2017. Management should closely monitor the gas purchases and consumption to reduce future gas losses.	No	The District will monitor the gas loss on a monthly basis. Gas purchases and monthly consumption will be closely monitored and significant variances will be investigated.	John Hellmers, Secretary to the Board	11/30/2018
2017-004	2017	The District experienced an operating loss of \$85,994 for the fiscal year ended November 30, 2017. The District should consider increasing gas rates and/or decreasing expenses in order to operate on a profitable basis.	No	The District will monitor the operations including the gas losses on a monthly basis and determine whether any adjustments are necessary.	John Hellmers, Secretary to the Board	11/30/2018
PRIOR YEAR (11/30/16) --						
<u>Internal Control:</u>						
2016-001	2015	In June 2016 the Board approved a rate decrease effective July and August 2016 and for the rate to change back in September 2016. O&M Management Services, LLC enacted a rate increase instead of a decrease in July 2016 and had changed back to the regular rate in August 2016.	Yes	The District and O&M Management Services, LLC set up procedures to review the customers are billed at the correct rate.	John Hellmers, Secretary to the Board	11/30/2017

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To the Board of Directors
Gas Utility District
No. One of Livingston Parish
Holden, Louisiana

During our review of the basic financial statements of Gas Utility District No. One of Livingston Parish (the District) for the year ended November 30, 2017, we noted certain areas in which improvements in the accounting system and financial practices of the District should be considered.

- (1) The District realized a gas loss percentage of approximately 41.2% during fiscal year ending November 30, 2017. Management should closely monitor the gas purchases and consumption to reduce future gas losses.
- (2) The District experienced an operating loss of \$85,994 for the fiscal year ended November 30, 2017. The District should consider increasing gas rates and/or decreasing expenses in order to operate on a profitable basis.

We would like to express our appreciation to you and your staff, particularly your office staff, for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance, please feel free to contact us.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Baton Rouge, Louisiana
May 30, 2018

GAS UTILITY DISTRICT NO. 1 OF LIVINGSTON PARISH
Holden, Louisiana

Agreed-Upon Procedures Report

Year Ended November 30, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Members of
Gas Utility District No. 1 of Livingston Parish
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Gas Utility District No. 1 of Livingston Parish (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through November 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Board (or Finance Committee, if applicable)

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

Bank Reconciliations

- 3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
- 4. Using the listing provided by management, we selected all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and reported whether:
 - a) Bank reconciliations have been prepared;

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Collections

- 5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
- 6. Using the listing provided by management, we selected all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and reported whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and reported whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections are completely supported by documentation and report any exceptions.
- 7. We obtained existing written documentation (e.g. policy manual, written procedure) and reported whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

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

- 8. We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We obtained management's representation that the listing or general ledger population is complete.

9. Using the disbursement population from #8 above, we randomly selected 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, we inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. We reported any exceptions.

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

14. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

- a) We reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) We reported whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, we reported whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.
 - c) For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Travel and Expense Reimbursement

17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
18. We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and reported any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) We compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, we compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.

- b) We reported whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse).
- d) We reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for contract payments. We obtained management's representation that the listing or general ledger is complete.
21. Using the listing above, we selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
- a) We reported whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, we obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, we obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.
 - c) We reported whether the contract was amended. If so, we reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.

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

Payroll and Personnel

- 22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly select five employees/officials, obtained their personnel files, and:
 - a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and reported whether those changes were approved in writing and in accordance with written policy.
- 23. We obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly selected one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Reported whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
- 24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
- 25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We reported whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

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

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

Debt Service (excluding nonprofits)

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

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

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

Other

31. We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

33. If we observed or otherwise identified any exceptions regarding management's representations in the procedures above, we reported the nature of each exception.

Findings:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies:

The Entity does not have written policies and procedures addressing budgeting.

The Entity does not have written policies and procedures addressing purchasing.

The Entity does not have written policies and procedures addressing disbursements.

The Entity does not have written policies and procedures addressing receipts.

The Entity does not have written policies and procedures addressing reviewing and approving time and attendance records.

The Entity does not have written policies and procedures addressing contracting.

The Entity does not have written policies and procedures addressing credit cards.

The Entity does not have written policies and procedures addressing travel and expense reimbursement.

The Entity does not have written policies and procedures addressing ethics.

The Entity does not have written policies and procedures addressing debt service.

Board:

The minutes did not include or reference monthly budget-to-actual comparisons.

Bank Reconciliations:

The Entity's bank reconciliations did not include evidence of review by a member of management or a board member. Additionally, there was no evidence on the bank reconciliations that management is researching outstanding items greater than 6 months.

Disbursements:

The Entity does not have written documentation that prohibits the person responsible for processing payments from adding vendors to the Entity's purchasing/disbursement system.

The Entity's treasurer signs checks and initiates all purchases.

Travel and Expense Reimbursements:

The Entity does not have written policies that restrict the travel and reimbursement amount to that of the US General Services Administration.

One of three employees selected for testing did not have support for the reimbursement.

All three selected for testing did not have expense approved in writing by someone other than the person receiving the reimbursement.

Contracts:

A formal written contract did not exist for 2 of the 4 contracts selected for testing.

The Entity did not solicit bids or equivalent for all 4 of the vendors that were not subject to the bid law.

The Entity's payments for one of the contracts did not agree with the terms of the contract.

Ethics:

The Entity did not maintain documentation of ethics training for the board members.

Management's Response:

Management of Gas Utility District No. 1 of Livingston Parish concurs with the exceptions and are working to address the deficiencies identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Baton Rouge, Louisiana
May 30, 2018