

**WASHINGTON PARISH GAS
UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Annual Financial Statements

December 31, 2022



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Independent Auditor's Report

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Franklinton, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Washington Parish Gas Utility District No. 2 (the District), a component unit of Washington Parish, Louisiana, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement that 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation paid to board of commissioners and the schedule of compensation, benefits, and other payments to agency head 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 schedule of compensation paid to board of commissioners and the schedule of compensation, benefits, and other payments to agency head are 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 June 26, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA
June 27, 2023

BASIC FINANCIAL STATEMENTS

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statement of Net Position
December 31, 2022

Assets**Current Assets**

Cash and Cash Equivalents	\$ 561,987
Investments	102,405
Receivables, Net	72,479
Inventory	32,760
Prepaid Insurance	4,473

Total Current Assets 774,104

Restricted Assets

Restricted Cash and Cash Equivalents	<u>33,949</u>
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Total Restricted Assets 33,949

Property, Plant, and Equipment

Property, Plant, and Equipment, Net	<u>384,966</u>
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Total Property, Plant, and Equipment, Net 384,966

Total Assets 1,193,019

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statement of Net Position (Continued)
December 31, 2022

Liabilities**Current Liabilities (Payable from
Current Assets)**

Accounts Payable	18,983
Other Accrued Payables	5,336

**Total Current Liabilities (Payable from
Current Assets)**

24,319**Current Liabilities (Payable from
Restricted Assets)**

Customer Deposits	34,720
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**Total Current Liabilities (Payable from
Restricted Assets)**

34,720**Total Liabilities**

59,039**Net Position**

Net Investment in Capital Assets	384,966
Unrestricted	749,014

Total Net Position

\$ 1,133,980

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022

Operating Revenue	
Gas Sales	\$ 586,553
Other Revenue	2,085
	<hr/>
Total Operating Revenue	588,638
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Operating Expenses	
Salaries and Wages	150,451
Cost of Gas Sold	73,862
Depreciation	57,816
Employee Benefits and Payroll Taxes	45,213
Supplies	53,929
Insurance	38,940
Professional Fees	22,400
Vehicle Expense	15,289
Other	13,914
Telephone	10,580
Compliance Expense	9,766
Bad Debt Expense	7,853
Commissioners' Expense	6,450
Repairs and Maintenance	1,166
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Total Operating Expenses	507,629
	<hr/>
Net Operating Income	81,009
	<hr/>
Nonoperating Revenue	
Interest Income	2,026
	<hr/>
Total Nonoperating Revenue	2,026
	<hr/>
Change in Net Position	83,035
	<hr/>
Net Position, Beginning of Year	1,050,945
	<hr/>
Net Position, End of Year	\$ 1,133,980
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The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows from Operating Activities

Received from Customers	\$ 572,981
Received for Meter Deposit Fees	707
Other Receipts	2,085
Payments for Operations	(239,245)
Payments to Employees	(198,784)

Net Cash Provided by Operating Activities	<u>137,744</u>
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Cash Flows from Investing Activities

Interest Received	<u>327</u>
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Net Cash Provided by Investing Activities	<u>327</u>
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Net Increase in Cash and Cash Equivalents	138,071
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Cash and Cash Equivalents, Beginning of Year	<u>457,865</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 595,936</u></u>
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The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2022

**Reconciliation of Cash and Cash Equivalents to
the Statement of Net Position**

Cash and Cash Equivalents, Unrestricted	\$ 561,987
Cash and Cash Equivalents, Restricted	33,949

Total Cash and Cash Equivalents

\$ 595,936

**Reconciliation of Net Operating Income to Net
Cash Provided by Operating Activities**

Net Operating Income	\$ 81,009
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	57,816
Bad Debt Expense	7,853
(Increase) Decrease in:	
Accounts Receivable	(21,425)
Inventory	5,659
Prepaid Insurance	3,706
Increase (Decrease) in:	
Accounts Payable	5,539
Other Accrued Payables	(3,120)
Customer Deposits	707

Net Cash Provided by Operating Activities

\$ 137,744

The accompanying notes are an integral part of these financial statements.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Introduction

Washington Parish Gas Utility District No. 2 (the District) was created by the Washington Parish Council on July 7, 1972, under provisions authorized by Louisiana Revised Statute (R.S.) 33:430. The purpose of the District is to build and maintain a natural gas distribution system for the rural area in the western part of Washington Parish. The system serves approximately 545 active customers over 165 miles of distribution lines.

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

Governmental Accounting Standards Board (GASB) Statement No. 14, as amended, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of the Washington Parish Council. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within those financial statements or separately reported as a discrete component unit. Under provisions of this Statement, there are no component units of the District.

Note 1. Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all GASB pronouncements as described in the following paragraphs.

These financial statements are presented in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These Statements established standards for financial reporting, with presentation requirements including a statement of net position (or balance sheet), a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that requires capital contributions to the District be presented as a change in net position.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows or resources, and net position in a statement of financial position and related disclosures. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement No. 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in GASB 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As required by the GASB, the District implemented GASB 63 during the year ended December 31, 2012. The District did not have any deferred outflows of resources or deferred inflows of resources at December 31, 2022.

The District has also previously adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities associated with the operation of this fund are included on the statements of net position. The statements of revenues, expenses, and changes in net position include all costs of providing goods and services during the period.

The Enterprise Fund uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 principal operating revenues of the proprietary fund are gas revenue and recurring customer user charges for the services provided by the Enterprise Fund. Re-connect and installation fees are recorded in the month service is rendered and collected. Operating expenses for the Enterprise Fund include the cost of gas sold, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents and Investments

Cash includes unrestricted amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and investments in bank certificates with original maturities of 90 days or less.

Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Investments

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

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

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

Inventory

The District purchases its estimated monthly gas allotment based on historical analysis. By agreement with El Paso Energy Corporation, the District is allowed to store any surplus gas in El Paso Energy Corporation's facilities. Inventories of gas are valued at lower of cost or market and are expensed using the first-in, first-out method.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Inventory (Continued)

Inventories of gas line supplies are valued at lower of cost or market and are expensed using the first-in, first-out method.

Prepaid Insurance

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

Restricted Assets

Customer deposits are included as restricted assets and are offset by corresponding restricted liabilities. Money received for utility deposits paid by new customers is held at various banks in Franklinton, Louisiana. The District holds meter deposits until a customer becomes inactive. The meter deposit is then applied to the accounts receivable balance due, and any remainder is refunded to the customer. Current meter deposits are \$150 for renters and \$100 for owners.

Capital Assets

Capital assets of the District are defined by the District as assets with an initial individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

Description	Estimated Useful Lives
Buildings	5 - 20 Years
Equipment	5 - 10 Years
Meters	5 - 20 Years
Utility System	15 - 40 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District has the following policy related to vacation and sick leave:

During the initial year of employment and after an employee's initial three months of employment, all employees of the District earn 1 day per month of vacation until the end of the calendar year. After the initial year of employment, all employees of the District earn vacation based on the following schedule:

Years of Employment	Vacation Earned
1 - 10 Years	2 Weeks
10 - 15 Years	3 Weeks
15 - 20 Years	4 Weeks
20+ Years	5 Weeks

Vacation leave must be taken during the year earned. However, upon termination or retirement, employees are paid for any unused vacation leave earned during the current year. All employees earn one half day of sick leave each month during the year. A total of ten days of sick leave can be accumulated. All accumulated sick leave lapses upon termination. There were no accumulated or vested leave benefits reported by the District in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, as of December 31, 2022.

Long-Term Debt Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The District has implemented GASB 65, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. Under GASB 65, issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred. This standard was intended to complement GASB 63. The District did not have any bond-related costs in the year ended December 31, 2022.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position

In accordance with GASB 34, as amended by GASB 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- a. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.
- b. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position is reported in this category.

Estimates

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

Adopted Accounting Pronouncements

The District adopted GASB Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of this Statement had no impact on the District's financial statements.

Upcoming Accounting Pronouncements

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

At December 31, 2022, the District had cash and cash equivalents (book balances), as follows:

Cash on Hand	\$	200
Demand Deposits		488,126
Time and Savings Accounts		<u>107,610</u>
Total	\$	<u>595,936</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. 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.

The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2022, the District had \$599,170 in deposits (collected bank balances) consisting of \$491,560 in demand deposits and \$107,610 in time and savings accounts. At December 31, 2022, \$107,611 was susceptible to custodial credit risk. However, deposits were secured by a Federal Home Loan Bank letter of credit.

Note 3. Investments

Investments are categorized into these three categories of credit risk:

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

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

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

As of December 31, 2022, the District had \$102,405 invested in the Louisiana Asset Management Pool, Inc. (LAMP) which is included in the total investment balance.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments are authorized to invest in accordance with R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- *Credit Risk:* LAMP is rated AAAM by Standard and Poor's.
- *Custodial Credit Risk:* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized, because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of Credit Risk:* Pooled investments are excluded from the 5 percent disclosure requirement.
- *Interest Rate Risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 52 as of December 31, 2022.
- *Foreign Currency Risk:* Not applicable to local government pools.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

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

Note 4. Receivables

The following is a summary of receivables at December 31, 2022:

	Year Ended	
	December 31, 2022	%
Accounts Receivable		
Current	\$ 54,272	61%
31-60 Days Past Due	9,278	10%
61-90 Days Past Due	6,110	7%
Over 90 Days Past Due	<u>19,008</u>	21%
Subtotal	88,668	
Allowance for Uncollectible Accounts	<u>(19,008)</u>	
Net Accounts Receivable	<u>69,660</u>	
Other Receivables		
Unbilled Gas Revenue	<u>2,819</u>	
Total Other Receivables	<u>2,819</u>	
Total Receivables, Net	<u>\$ 72,479</u>	

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the Board of Commissioners (Board) reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are normally written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of collectability. Bad debt expense of \$7,853 was recorded for the year ended December 31, 2022, and the allowance for uncollectible accounts was adjusted to \$19,008.

Unbilled revenues (accrued billings) consist of gas consumed between the final meter reading date in the last billing cycle of the year and not billed to the customers until the next month in the subsequent fiscal period. At December 31, 2022, accrued billing amounts were \$2,819.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 5. Restricted Assets

The following is a summary of restricted assets at December 31, 2022:

Customer Deposits	<u><u>\$ 34,720</u></u>
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Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

December 31, 2022	Beginning Balance 01/01/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital Assets				
Buildings	\$ 15,001	\$ -	\$ -	\$ 15,001
Equipment	298,913	-	-	298,913
Meters	12,440	-	-	12,440
Utility System	2,261,952	-	-	2,261,952
Total Capital Assets	<u>2,588,306</u>	-	-	<u>2,588,306</u>
Less Accumulated Depreciation for:				
Buildings	(14,911)	(89)	-	(15,000)
Equipment	(250,479)	(19,227)	-	(269,706)
Meters	(12,440)	-	-	(12,440)
Utility System	(1,867,693)	(38,501)	-	(1,906,194)
Total Accumulated Depreciation	<u>(2,145,523)</u>	<u>(57,817)</u>	-	<u>(2,203,340)</u>
Total Capital Assets, Net	<u>\$ 442,783</u>	<u>\$ (57,817)</u>	<u>\$ -</u>	<u>\$ 384,966</u>

Depreciation expense totaling \$57,816 was computed on a straight-line basis for financial statement purposes for the year ended December 31, 2022. There were no additions to capital assets during 2022.

Note 7. Restricted Net Position

At December 31, 2022, the District had \$-0- in restricted net position. Restricted net position (restricted for capital activity and debt service) represents the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects, less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

**WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA**

Notes to Financial Statements

Note 8. Pension Plan

The District adopted a Simple IRA retirement plan on April 4, 2005. The prototype plan provides for participating employees to defer through payroll withholding up to \$11,500 per year. The District agreed to match employee withholdings, up to three percent of each participating employee's wages. Contributions are made each month following the month withholdings are collected. Total pension fund expense was \$-0- for the fiscal year ended December 31, 2022.

Note 9. Litigation and Claims

As of December 31, 2022, the District was not involved in any litigation or claims.

Note 10. Facilities

The District's office is located in a building leased by the Washington Parish Council (the Council). The Council pays the rent and utilities on the building (office space approximately 800-square feet). The Council pays certain operating expenditures of the District. These expenditures are not reflected in the accompanying financial statements.

The District and the Washington Parish Council signed an intergovernmental cooperative agreement concerning the use of the Council property for an equipment yard and space for the storage shed. The term of this agreement was for the period June 1, 2002 through May 31, 2003. The term was extended on a month-to-month basis after May 31, 2003, with either party having the right to cancel the agreement by giving 60 days written notice to the other party.

The District constructed a fence around the property and placed a portable storage building on the property. The District has the right to remove any improvements made to the property within 30 days after the effective date of cancellation.

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2022

Schedule 1

The Board of Commissioners of the District consists of five members appointed by the Washington Parish Council. The following schedule of compensation paid to board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of R.S. 33:4305.B.(1).

Name and Title	Address	Compensation Received	Term Expiration
Robert Paul Givens, Chairman (985) 839-4127	23010 Highway 450 Franklinton, LA 70438	\$ 1,650	12/31/2027
Dennis Warren, Vice Chairman (985) 839-6360	47168 Jenkins Road Franklinton, LA 70438	1,200	12/31/2025
Don Wheat (985) 515-6939	56475 Leonard Seals Road Angie, LA 70426	1,200	12/31/2025
Joseph Felder (985) 966-0858	23642 Highway 25 Franklinton, LA 70438	1,200	12/31/2024
John Rochester III (985) 515-6144	19574 Highway 450 Franklinton, LA 70438	1,200	12/31/2023
		\$ 6,450	

See independent auditor's report.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2022

Schedule 2

Agency Head
Melissa Haley, Gas Superintendent

Purpose	Amount
Salary	\$49,700
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Franklinton, Louisiana

We have audited, 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, the financial statements of the business-type activities of Washington Parish Gas Utility District No. 2 (the District), a component unit of Washington Parish, Louisiana, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 over financial reporting 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. We did identify a certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-003.

Washington Parish Gas Utility District No. 2's Response to Findings

Washington Parish Gas Utility District No. 2's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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 Professional Accounting Corporation

Baton Rouge, LA
June 27, 2023

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2022

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to the financial statements? | Yes |
| 3. Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

2022-001 Failure to Adequately Monitor Electronic Transactions

- Criteria:* Effective monitoring of debit/credit card usage and electronic transactions is critical to maintaining an effective system of internal control.
- Condition:* During 2022 and subsequently, there were several instances in which unauthorized electronic charges were made to the District's debit card. Proper reimbursements were made to rectify the error, however it continued to occur, indicating that proper actions were not taken to prevent the error from occurring again.
- Cause:* Ineffective monitoring over electronic transactions as well as lack of formal procedures over authorization of electronic transactions.
- Effect:* Failure to maintain effective monitoring over debit/credit card usage and electronic transactions creates an environment in which there is a potential for failure of management or those charged with governance to prevent or detect misstatements or misappropriations on a timely basis. Failure to take action to prevent future occurrences of unauthorized transactions once they were detected could allow them to accumulate and possibly become material.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2022

Recommendation: The District should implement formal authorization and monitoring procedures over electronic transactions. Further, the District should consider obtaining a credit card to use in place of the debit card due to the fraud protection benefits offered.

Management's

Response: Management will take the auditor's suggestions into consideration and work to implement procedures to ensure future unauthorized transactions are prevented.

2022-002 Inventory Recordkeeping

Criteria: Accurate tracking of inventory transactions and valuation is imperative to presenting fairly stated financial statements.

Condition: During our audit, we noted that there was a lack of controls in place to ensure that inventory transactions are appropriately tracked and inventory valuations are updated timely. Changes in inventory levels were not appropriately recorded to the general ledger as inventory was used.

Cause: Lack of controls over recording of inventory transactions and valuation.

Effect: Immaterial misstatement of inventory, which could potentially build to a material misstatement.

Recommendation: We recommend the District implement procedures and controls to ensure that inventory items are tracked as they are purchased and used and that inventory balances on the general ledger are updated timely.

Management's

Response: Management will implement controls to improve inventory tracking and ensure inventory balances are updated timely.

2022-003 Mandatory Ethics Training

Criteria: Louisiana Revised Statutes 42:1170 requires that each employee/official complete one hour of ethics training during the calendar year.

Condition: During our performance of the statewide agreed-upon procedures we selected a sample of employees/officials for testing of the training requirement during 2022. Three of the sampled employees/officials selected for testing had not taken the ethics training in 2022.

Cause: Ineffective monitoring over state compliance requirements.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2022

Effect: Noncompliance with state law.

Recommendation: We recommend the District ensure that all employees and officials obtain the required annual ethics training in future years.

Management's Response: Management will ensure that all employees and officials complete one hour of ethics training each calendar year. As of this report date, all employees have completed ethics training for 2023.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
FRANKLINTON, LOUISIANA
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2022

Part III - Prior Year Findings Related to the Financial Statements

None.

AGREED-UPON PROCEDURES REPORT

Washington Parish Gas Utility District No. 2

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2022 - December 31, 2022

To the Board of Commissioners of
Washington Parish Gas Utility District No. 2
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the Washington Parish Gas Utility District No. 2's (the District) control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2022 through December 31, 2022. Washington Parish Gas Utility District No. 2's management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal year January 1, 2022 through December 31, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **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.
 - iii. **Disbursements**, including processing, reviewing, and approving.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Obtained the District's written policies and procedures over all but one of the applicable categories above and noted no exceptions. The District does not have written policies and procedures addressing information technology disaster recovery/business continuity.

2) Board or Finance Committee

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

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: We noted no exceptions in the performance of the procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Performed the above procedures and noted that the reconciliation for one of the bank statements selected for testing was not prepared within two months of the related statement closing date. No other exceptions noted as a result of the procedures performed.

4) Collections (excluding electronic funds transfers)

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

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: Performed the above procedures and noted two of the deposits tested for procedure (D) was not made within one business day of receipt. No other exceptions noted as a result of the procedures performed.

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- [Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]*
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: Performed the above procedures and noted that the District has no processes in place for independent review of vendor files and that signed checks are returned to the individual responsible for processing payments for mailing out. Also noted that there were no processes in place to require appropriate approval of electronic disbursements and therefore, each of the disbursements tested in procedure (D) above lacked evidence of appropriate approval. No other exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Performed the procedures above and noted the following exceptions: (1) receipts were not provided for two of the charges selected for testing, and (2) there was no documentation of individuals participating in meals for one of the charges selected for testing. No other exceptions noted.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted as a result of the procedures performed.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted as a result of the procedures performed.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe whether the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions noted as a result of the procedures performed.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: Performed the above procedures and found that three of the employees selected for testing did not complete annual ethics during the calendar year under review. Also found that the District has not appointed an ethics designee.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Obtained management's representation that the District did not issue new debt or have any debt outstanding during the period under review. Further procedures not applicable.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted as a result of the procedures performed.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the above procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: Performed the above procedures and noted that none of the employees selected for testing had completed the annual sexual harassment training during the year under review. The District did not have its sexual harassment policy and complaint procedure posted on its premises. The annual sexual harassment report was completed and included all applicable requirements, but was not dated on or before February 1st.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement. This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Baton Rouge, LA
June 27, 2023

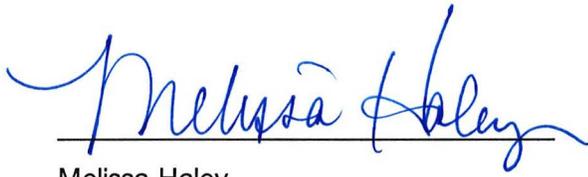
Mr. Michael J. Waguespack
Louisiana Legislative Auditor
1600 N 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Statewide Agreed-Upon Procedures

The management of Washington Parish Gas Utility District No. 2 wishes to provide the following responses relative to the results of the 2022 Statewide agreed-upon procedures engagement:

- 1) In response to the results of the Written Policies and Procedures section, the District will implement written policies and procedures over IT disaster recovery/business continuity.
- 2) In response to the results of the Bank Reconciliations section, we will implement procedures necessary to ensure reconciliations are completed timely.
- 3) In response to the results of the Collections section, we will implement procedures necessary to ensure deposits are made within one business day of receipt.
- 4) In response to the results of the Non-Payroll Disbursements section, the District will change its procedures over non-payroll disbursements to segregate the processing of payments and adding vendor files and signature of checks and the mailing of processed checks. We will also implement procedures to ensure proper documentation of approval of ACH transactions.
- 5) In response to the results of the Credit Cards/Debits Cards section, the District will institute procedures to ensure that receipts are maintained for all purchases, or other documentation is created in place of lost receipts. We will also implement procedures to ensure proper documentation is kept for all purchases, including meals.
- 6) In response to the results of the Ethics section, the District will ensure that all employees and officials take annual ethics training in the future. We will also appoint an ethics designee.
- 7) In response to the results of the Sexual Harassment section, the District will post its sexual harassment policy, will prepare the annual sexual harassment report before the February 1st deadline, and will require all employees and officials to complete the sexual harassment training in the future.

Sincerely,

A handwritten signature in blue ink that reads "Melissa Haley". The signature is written in a cursive style with a horizontal line underneath the text.

Melissa Haley

Superintendent

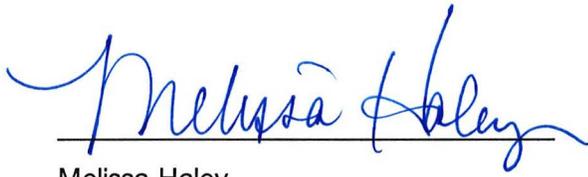
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Melissa Haley

Superintendent