

Durden and Alongo

CERTIFIED PUBLIC ACCOUNTANTS

820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438
(504) 839-4413
FAX (504) 839-4402

William R. Durden

Donna W. Alongo

(continued)

purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design of operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Finding: No segregation of duties, same person handles all phases of cash receipts.

Cause: Limited office staff. All cash receipts are handled by the clerk in the Franklinton Office. She takes payments and prepares all bank deposits.

Recommendation: Due to the limited available work a complete segregation of duties is impractical. The accounts receivable billing and posting of payments are segregated to an office in Baton Rouge and the CPA office reconciles the bank balances each month.

Management's Response : The office staff cannot be increased to satisfy the required segregation of duties. We have however established procedures to limit our exposure in this area. Outside firm reconciles the bank accounts and accounts receivable each month. A cash flow report is present at each regular board meeting and we approve the expenditures only after looking at available cash in bank. We require daily bank deposits and the preparation of a daily cash report that references the pre-numbered cash receipts.

Finding: Lack of control over meter and supply purchases.

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Cause: Supplies and meters are ordered by the Franklinton office clerk. No one verifies the receipt of the items and they are housed in a very insecure shed. As items are used no reference is made to a work order and the supplies are used at the maintenance man's discretion.

Recommendation: Establish a perpetual inventory system to control the use of line supplies. Items must be signed for and then added to inventory. Items used should reference a work order and be signed for as used. Materials on work orders should be deducted from inventory. A board member should check actual items on hand to items per inventory list. An upgraded storage facility should be obtained and inventory items arranged on shelves for ease in checking count.

Management's Response: We will examine the feasibility of having someone sign for supplies when received. The problem is the storage facility is 5 miles from the office and in order for the clerk to go to the warehouse, she would have to close the office. We will examine cost of an upgraded storage closer to the office but funds are very limited.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Washington Parish Gas Utility District No. 2, in a separate letter dated June 24, 1996.

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(continued)

This report is intended for the information of the Board of Commissioners of the Washington Parish Gas Utility District No. 2, the Washington Parish Police Jury, and State of Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Durden & Alonzo

Durden and Alonzo,
Certified Public Accountants

June 7, 1996

Durden and Alonzo

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Washington Parish Police Jury
Board of Commissioners
Washington Parish Gas
Utility District No. 2
Franklinton, Louisiana

We have audited the financial statements of the Washington Parish Gas Utility District No. 2, component unit of the Washington Parish Police Jury, as of and for the years ended December 31, 1995 and 1994, and have issued our report thereon dated June 7, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, and bond indenture provisions is the responsibility of the District's Board of Commissioners. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, and bond indenture provision. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Washington Parish Gas Utility District No. 2 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

We noted certain immaterial instances of noncompliance that we have reported to the Board of Commissioners in a separate letter dated June 24, 1996.

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This report is intended for the information of the Board of Commissioners of the Washington Parish Gas Utility District No. 2, the Washington Parish Police Jury, and the State of Louisiana Legislative Auditor. However, the report is a mater of public record and its distribution is not limited.

Durden & Alonzo

Durden and Alonzo,
Certified Public Accountants

June 7, 1996

FINANCIAL STATEMENTS

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

BALANCE SHEET
As at

<u>ASSETS</u>	<u>December 31, 1995</u>	<u>December 31, 1994</u>
Current assets:		
Cash on hand and in banks	\$ 12,618.	(\$ 2,797.)
Accounts receivable	88,850.	66,062.
Less allowance for bad debts (4,718.)	(4,598.)
Accounts receivable - labor billing	78,266.	
Inventory	0.	7,172.
Accrued interest receivable	<u>149.</u>	<u>119.</u>
Total current assets	<u>175,165.</u>	<u>65,958.</u>
Restricted Assets:		
Revenue Bonds Reserve Fund	123,468.	107,865.
Revenue Bonds Sinking Fund	36,468.	31,666.
Customer's Meter Deposit Fund	<u>27,782.</u>	<u>27,747.</u>
Total restricted assets	<u>187,718.</u>	<u>167,278.</u>
Property and equipment:		
Gas line system	1,106,659.	1,106,659.
Gas meters	12,440.	12,440.
Office equipment	3,493.	3,493.
Other equipment	<u>747.</u>	<u>518.</u>
Total property and equipment	1,123,339.	1,123,110.
Less accumulated depreciation	<u>(597,064.)</u>	<u>(568,416.)</u>
Net property and equipment	<u>526,275.</u>	<u>554,694.</u>
Total Assets	<u>\$ 889,158.</u>	<u>\$ 787,930.</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

BALANCE SHEET
As at

LIABILITIES AND FUND EQUITY

	<u>December 31, 1995</u>	<u>December 31, 1994</u>
Current liabilities:		
Accounts payable	\$ 249,682.	\$ 162,647.
Accrued expenses	<u>2,740.</u>	<u>1,946.</u>
Total current liabilities	<u>252,422.</u>	<u>164,593.</u>
Current liabilities:		
(Payable from Restricted Assets)		
Revenue bonds payable - current portion	70,000.	70,000.
Accrued interest - revenue bonds	19,645.	21,827.
Customers' meter deposits	<u>27,783.</u>	<u>27,748.</u>
Total current liabilities (Restricted Assets)	<u>117,428.</u>	<u>119,575.</u>
Long-term liabilities:		
Revenue bonds payable	630,000.	700,000.
Less current portion	<u>(70,000.)</u>	<u>(70,000.)</u>
	<u>560,000.</u>	<u>630,000.</u>
Total liabilities	929,850.	914,168.
Fund equity:		
Retained earnings:		
Unreserved	(126,237.)	(175,338.)
Net income	<u>85,545.</u>	<u>49,100.</u>
Total Liabilities and Fund Equity	<u>\$ 889,158.</u>	<u>\$ 787,930.</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Years Ended

	<u>December 31, 1995</u>	<u>December 31, 1994</u>
Operating revenue:		
Gas sales	\$ 436,854.	\$ 398,697.
Forfeited discounts	10,953.	10,565.
Overread meters and adjustments	(4,743.)	(9,959.)
Line relocation reimbursement	78,266.	0.
Miscellaneous income	<u>665.</u>	<u>177.</u>
Total operating revenue	<u>521,995.</u>	<u>399,480.</u>
Operating deductions:		
Gas purchases	152,716.	138,282.
Gas realignment costs	6,769.	12,819.
Billing service	75,537.	69,462.
Leak survey	0.	8,875.
Line relocation	78,266.	0.
General and administrative (Schedule 1)	46,147.	37,164.
Depreciation	28,648.	28,592.
Bad debt provision	<u>7,623.</u>	<u>5,654.</u>
Total operating deductions	<u>395,706.</u>	<u>300,848.</u>
Operating income (loss)	126,289.	98,632.
Other revenue:		
Interest income	9,574.	5,389.
Other charges:		
Revenue bond interest expense	(<u>50,317.</u>)	(<u>54,921.</u>)
Net Income (Loss)	85,546.	49,100.
Retained earnings (deficit) Beginning of year	(<u>126,238.</u>)	(<u>175,338.</u>)
Retained earnings (deficit) End of year	(<u>\$ 40,692.</u>)	(<u>\$ 126,238.</u>)

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

STATEMENT OF CASH FLOWS
For the Years Ended

December 31, 1995 December 31, 1994

Cash flows from operating activities:

Net income	\$ 85,545.	\$ 49,100.
Adjustments to reconcile net income provided by operating activities:		
Depreciation and amortization	28,648.	28,592.
Provision for losses on accounts receivable	7,623.	5,654.
(Increase) decrease in accounts receivable	(30,290.)	1,488.
(Increase) decrease in inventories	7,172.	0.
(Increase) decrease in other assets	(20,435.)	(30,346.)
Increase (decrease) in accounts payable	8,769.	(9,266.)
Increase (decrease) in accrued liabilities	794.	962.
Increase (decrease) in interest payable	(2,182.)	(2,079.)
Total adjustments	<u>99.</u>	<u>(4,995.)</u>
Net cash provided (used) by operating activities	<u>85,644.</u>	<u>44,105.</u>
Cash flows from investing activities:		
Cash payments for purchase of equipment	(229.)	(140.)
Net cash provided (used) from investing activities	<u>(229.)</u>	<u>(140.)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(70,000.)	(60,000.)
Net cash provided (used) by financing activities	<u>(70,000.)</u>	<u>(60,000.)</u>
Net increase (decrease) in cash and equivalents	15,415.	(16,035.)
Cash and cash equivalents, beginning of year	(2,797.)	<u>13,238.</u>
Cash and cash equivalents, end of year	<u>\$ 12,618.</u>	<u>(\$ 2,797.)</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

STATEMENT OF REVENUE AND DISBURSEMENTS-ACTUAL TO BUDGET

For the Year Ended December 31, 1995

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue:			
Gas sales, forfeited discounts, overread meter adjustments	\$374,179.	\$443,064.	\$ 68,885.
Miscellaneous income	0.	665.	665.
Interest income	<u>3,600.</u>	<u>9,574.</u>	<u>5,974.</u>
Total Revenue	<u>377,779.</u>	<u>453,303.</u>	<u>75,524.</u>
Disbursements;			
Gas purchases	151,712.	159,485.	(7,773.)
Bond interest	50,000.	50,317.	(317.)
Billing services	75,000.	75,537.	(537.)
Provision for bad debts	0.	7,623.	(7,623.)
Repairs	9,500.	7,614.	1,886.
Line supplies	6,500.	13,385.	(6,885.)
Clerical	5,496.	5,262.	234.
Taxes	2,500.	2,278.	222.
Legal and accounting	6,000.	8,878.	(2,878.)
Board fees	5,000.	4,443.	557.
Warehouse rent	600.	600.	0.
Office supplies	750.	401.	349.
Depreciation	28,584.	28,648.	(64.)
Miscellaneous	450.	3,286.	(2,836.)
Total	<u>342,092.</u>	<u>367,757.</u>	<u>(25,665.)</u>
Net Income (Loss)	<u>\$ 35,687.</u>	<u>\$ 85,546.</u>	<u>\$ 49,859.</u>
Debt Service Budget:			
Sinking fund transfers	123,000.	124,970.	1,970.
Reserve fund transfers	<u>0.</u>	<u>10,000.</u>	<u>10,000.</u>
Total debt service	<u>\$123,000.</u>	<u>\$134,970.</u>	<u>\$ 11,970.</u>

The accompanying notes are an integral part of this statement.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

INTRODUCTION

The Washington Parish Gas Utility District No. 2 was created by the Washington Parish Police Jury on July 7, 1972 under provisions authorized by LRS 33:430. The purpose of the District was to build and maintain a natural gas distribution system for the rural area in the western part of Washington Parish. The system serves approximately 1,000 customers over distribution lines of 165 miles. The system is operated and maintained on a contractual basis by System Operators, Inc. of Baton Rouge, Louisiana; therefore, the District has no employees.

The accounting and reporting policies of the District are the responsibility of a five member board (compensated - Schedule 2) appointed by the Parish Police Jury. 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 Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units. The actions of the board also conform to the various provisions of the bond indenture as adopted in a resolution dated August 4, 1972.

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

Following is a summary of significant policies:

Because the Police Jury appoints the governing board and has the ability to significantly influence operations, the District was determined to be a component unit of the Washington Parish Police Jury, the governing body of the Parish and the governing body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by the governmental unit, or the other governmental reporting entity.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

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 principle offices in Louisiana.

In compliance with state law, the District invests its bond payment reserve funds in U. S. Government Securities, with maturities of 90 days or less. These are reported in restricted assets as sinking and reserve funds.

E. INVENTORIES

Inventories consists of meters and other line supplies and are recorded as an expense when consumed. Inventories are valued at cost and expensed using the first-in, first-out method.

F. RESTRICTED ASSETS

Bond Sinking and Reserve Fund

The Revenue Bond Reserve Fund and Sinking Fund were established in order to retire the \$1,300,000. par value Gas Utility Revenue Bonds issued August 1, 1972. The Bond Sinking Fund is an investment account used to accumulate funds for current principal and interest payments. The Bond Reserve Fund is an investment account where funds are accumulated and held in reserve for payment of bonds and interest when the necessary funds are not available in the Sinking Fund. The trustee for these accounts is First National Bank of Commerce, New Orleans, Louisiana. The trustee makes the necessary transfers for payment of maturing bonds and coupons to their paying agent account. After a period of seven years any unclaimed payments in the paying agent account are remitted to the State of Louisiana. A reserve is maintained in fund equity for the balance in these accounts less current bond principle and interest payable.

Customer Meter Deposits

Money received for utility deposits paid by new customers is held at Hancock Bank of Louisiana, Franklinton, Louisiana. Meter deposits are held by the District until a customer becomes inactive. The meter deposit is then applied to the accounts receivable balance due and any remainder is refunded to the customer. Current meter deposits are: large commercial \$150., small retail \$125., personal residents \$50. The funds are offset in restricted liabilities.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

G. FIXED ASSETS

Fixed assets of the District are included on the balance sheet of the Enterprise Fund at historical cost. Interest costs incurred during construction were capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method. The estimated useful lives are as follows:

Gas system	40 years
Gas meters	20 years
Office equipment	10 years
Other equipment	5 years

Current purchases of meters and supplies are recorded at cost in a supply inventory and expended as used.

H. LONG-TERM LIABILITIES

Long term liabilities are recognized on the balance sheet of the Enterprise fund. For the District, this is represented by the balance of bonds payable after one year.

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 1995, the District had unrestricted cash and cash equivalents (book balances) totaling \$12,618. in demand deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1995, the District has \$12,526. in deposits (collected bank balances). These deposits are secured from risk by \$100,000. of federal deposit insurance.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

NOTE 3. RESTRICTED ASSETS

At December 31, 1995, the District had restricted funds (collected bank balances) as follows:

	<u>Collected Bank Balances</u>	<u>Book Value</u>
Meter Deposit Funds		
Demand deposits	\$ 5,932.	\$ 5,824.
Interest-bearing demand deposits	\$ 15,360.	15,360.
Time deposits	\$ 7,000.	7,000.
Sinking and Reserve Fund		
Investments - U.S. Government Sec.	\$159,936.	\$159,936.

These deposits are stated at cost which approximates market. During 1995 there were no deposits (excluding U.S. Government investments) which exceeded the \$100,000. of federal deposit insurance.

NOTE 4. ACCOUNTS RECEIVABLE LABOR BILLING

This amount represents funds due from the State of Louisiana for payment of contract to relocate gas lines due to road construction. The contract price of \$78,266 was covered 100% by the state. The corresponding expense is recorded in accounts payable at December 31, 1995.

NOTE 5. BAD DEBTS

Uncollectible amounts due from customers' receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The bad debts are charged off against an allowance account established as an average of the last 3 years charge offs, or the average percentage of charge-offs to sales, whichever is greater. Calculation of the allowance account and subsequent provision for bad debts follows:

			<u>Charge-offs</u>
<u>Percentage to sales</u>			
Current sales	\$436,854.	1993	\$ 3,742.
Average charge-off	<u>x 1.08%</u>	1994	5,023.
		1995	5,355.
			<u>14,120.</u>
	<u>\$ 4,718.</u>		<u>+ 3</u>
			<u>\$ 4,707.</u>

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

Allowance account balance 1/01/95	\$	4,598.
Less current year charge-offs	(7,503.)
Current year provisions		5,389.
Adjustment for accounts receivable correction		<u>2,234.</u>
Allowance account balance 12/31/95	\$	<u>4,718.</u>

NOTE 6. FIXED ASSETS

All fixed assets are stated at historical cost. Following is a summary of the activity in the fixed accounts for 1995:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Gas system	\$1,106,659.	\$ 0.	\$ 0.	\$1,106,659.
Gas meters	12,440.	0.	0.	12,440.
Office equipment	3,493.	0.	0.	3,493.
Other equipment	518.	229.	0.	747.
Totals	<u>\$1,123,110.</u>	<u>\$ 229.</u>	<u>\$ 0.</u>	<u>\$1,123,339.</u>

A summary of the accounts and the related accumulated depreciation follows:

	<u>Cost</u>	<u>Accum. Depreciation</u>	<u>Net</u>
Gas System	\$1,106,659.	\$ 588,290.	\$518,369.
Gas meters	12,440.	6,178.	6,262.
Office equipment	3,493.	2,036.	1,457.
Other equipment	747.	560.	187.
Total	<u>\$1,123,339.</u>	<u>\$597,064.</u>	<u>\$526,275.</u>

Depreciation is computed on a straight line basis for financial statement purposes.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

NOTE 7. REVENUE BONDS PAYABLE

The current balance of \$630,000. of par value Gas Utility Revenue Bonds dated August 1, 1972 were issued on behalf of the District for the purpose of constructing a gas utility system with 1,400 service units. These bonds numbered 1 - 260 were issued in denominations of \$5,000. Interest (at the annual rate of 7-1/2%) is payable semi-annually on February 1st and August 1st of each year, with annual principal payments made August 1st. The funds are accumulated through monthly deposits to a sinking fund. Deposits are to be made to a reserve fund also. The reserve fund is to accumulate to a balance of \$130,000. A schedule of future bond and interest requirements follows:

<u>Date</u>	<u>Bond Numbers</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/96	-	-	23,625.	23,625.
8/1/96	135 - 148	70,000.	23,625.	93,625.
2/1/97	-	-	21,000.	21,000.
8/1/97	149 - 163	75,000.	21,000.	96,000.
2/1/98	-	-	18,188.	18,188.
8/1/98	164 - 180	85,000.	18,187.	103,187.
2/1/99	-	-	15,000.	15,000.
8/1/99	181 - 200	100,000.	15,000.	115,000.
2/1/2000	-	-	11,250.	11,250.
8/1/2000	201 - 220	100,000.	11,250.	111,250.
2/1/01	-	-	7,500.	7,500.
8/1/01	221 - 240	100,000.	7,500.	107,500.
2/1/02	-	-	3,750.	3,750.
8/1/02	241 - 260	<u>100,000.</u>	<u>3,750.</u>	<u>103,750.</u>
Totals		<u>\$ 630,000.</u>	<u>\$ 200,625.</u>	<u>\$ 830,625.</u>

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

NOTE 8. SPECIAL ASSESSMENT BONDS

The District is not obligated in any manner for special assessment bonds or debt.

NOTE 9. REPORT OF COUNSEL

As of the date of this audit, the District still has not been able to obtain liability insurance. The District's counsel has advised that at this time there are no legal actions pending against the District.

NOTE 10. BUDGET

The District's board approved the 1995 budget at their December 1994 board meeting. The budget is prepared on an accrual basis with the exception of a provision for bad debts. A copy of the budget is furnished to the parish police jury. A debt service budget is also prepared in order to monitor on a monthly basis payments to the sinking and reserve funds.

NOTE 11. REDUCTION OF DEFICIT RETAINED EARNINGS

The District has operated at a deficit since its inception. The Board of Commissioners continually strives to improve the operation. There have been, in prior years, substantial gas losses. However, in 1991, the District obtained (at a substantial reduction in cost) an alternate source for their gas. Gas losses dropped dramatically, and for the past four years the operation has resulted in net income.

Retained earnings deficit at 12/31/90	(\$356,312.)
Operating results:	
1991	36,938.
1992	66,333.
1993	77,704.
1994	49,100.
1995	85,545.
Retained earnings deficit at 12/31/95	<u>(\$ 40,692.)</u>

The Board of commissioners will continue to monitor gas cost (losses and price) in order to maintain the proper profit margin. They feel this will result in a positive operation that will enable them to eliminate the deficit and provide continued gas service to its customers.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1995

Following is a comparison of gas sales to gas purchases for the past four years:

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Gas Sales	356,475.	375,257.	398,697.	436,843.
Gas Purchases	119,409.	133,560.	138,282.	152,716.
% Purchases/Sales	33.64%	35.59%	34.68%	34.96%

NOTE 12. GAS REALIGNMENT

The Federal Energy Regulatory Commission issued order #636 restricting the sale of natural gas by pipeline companies. The Commission in this order 636 gave authority to the pipeline companies to pass along to its servicing customers the cost of realigning the contracts they had for purchasing supplies of natural gas. The total realignment cost the District will have to reimburse SONAT was negotiated by Louisiana Municipal Gas Authority (as agent for the District). Louisiana Municipal Gas Authority and SONAT reached an agreement by which the District will pay an annual payment of \$9,793.90 for the years 1994, 1995, 1996, and 1997 (Total of \$39,175.60). Actual payments for 1994 were \$12,818.77. The 1994 overpayment (\$3,024.87) was applied to the 1995 payments resulting in a net expense for 1995 of \$6,769.03.

SUPPLEMENTAL INFORMATION

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
 OF THE
 WASHINGTON PARISH POLICE JURY
 Franklinton, Louisiana

GENERAL AND ADMINISTRATIVE EXPENSE

For the Years Ended

	<u>December 31, 1995</u>	<u>December 31, 1994</u>
Clerical expenses	\$ 5,262.	\$ 5,255.
Taxes	2,278.	2,481.
Audit and legal expense	8,878.	5,776.
Board of Commissioners compensation	4,443.	4,477.
Paying agent fee	1,782.	1,634.
Warehouse rent	600.	600.
Supplies - office	401.	577.
Supplies - gas line	13,385.	7,737.
Repairs and maintenance	7,614.	8,037.
Miscellaneous	<u>1,504.</u>	<u>590.</u>
Total	<u>\$ 46,147.</u>	<u>\$ 37,164.</u>

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

BOARD OF COMMISSIONERS EXPENSE

For the Year Ended December 31, 1995

The Board of Commissioners of the district consist of five members appointed by the Washington Parish Police Jury. The following schedule of compensations paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Louisiana Legislature.

	<u>Meetings</u>	<u>Travel</u>	<u>Total</u>
Mr. Will Smith, Jr.	11	\$ 825.	
Mr. Louis A. Jones	9	675.	
Mr. Ralph Riley	11	825.	
Mr. J.M. Thomas	11	825.	
Mr. Joe H. Davis	11	<u>825.</u>	
Total		<u>\$3,975.</u>	

Compensation received was in compliance with R.S. 33:4305.B.[1].

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

STATEMENT OF CHANGES IN ASSETS
RESTRICTED FOR REVENUE BOND DEBT SERVICE

For the Year Ended December 31, 1995

	<u>Sinking Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Balance, January 1, 1995	\$ 31,666.	\$ 107,866.	\$ 139,532.
Cash receipts:			
Transfers from operat- ing account	124,900.	10,000.	134,900.
Interest earnings	<u>2,646.</u>	<u>6,180.</u>	<u>8,826.</u>
Total funds available	<u>159,212.</u>	<u>124,046.</u>	<u>283,258.</u>
Cash disbursements:			
Principal payments	70,000.	0.	70,000.
Interest payments	52,500.	0.	52,500.
Trust department	<u>244.</u>	<u>578.</u>	<u>822.</u>
Total disbursements	<u>122,744.</u>	<u>578.</u>	<u>123,322.</u>
Balance, December 31, 1995	<u>\$ 36,468.</u>	<u>\$123,468.</u>	<u>\$159,936.</u>

Durden and Alonzo

CERTIFIED PUBLIC ACCOUNTANTS

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William R. Durden

Donna W. Alonzo

June 24, 1996

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

Dear Board of Commissioners:

We completed our examination of the books and records of the Washington Parish Gas Utility District No. 2 for the year ended December 31, 1995, and have enclosed five copies of the report. As part of our examination, we examined various procedures and controls established by your office and accounting staff to insure proper reporting of financial transactions and compliance with various laws. There were reported conditions in the enclosed reports, and we have listed below other internal control weaknesses that were not material in nature but we feel you should be made aware of.

1. Charge-offs for 1995 were still excessive. There were several accounts with large balances (\$595, \$521., and \$825.) This would seem to indicate that established cut-off procedures are not being adhered to. It appears that maintenance personnel are not cutting off customers according to cut-off list.
2. Office clerk handling all payments and deposits is not bonded. She is an employee of System Operators and a decision needs to be made as to who should purchase the bond. The District needs to have their attorney review the situation and advise the board to either purchase a bond or have System Operators purchase a bond. If System Operators bonds the clerk then the district should be sure their contract with System Operators provides for reimbursement for any missing funds.
3. A new contract with System Operators has still not been signed. The last contract on file is several years old. Distinctions should be made between what items the District is to pay and what items are included in the service contract. We suggest you hold System Operators financially responsible for any accounts written off with balances over a certain amount.

Durden and Alonzo

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Donna W. Alonzo

Page 2

Following is additional information for your review and analysis, which we feel will be of benefit for better management on your part.

Gas Losses

The Board should require that System Operators present a report each month on gas losses. System Operators should explain any unusual losses. The Board needs to insure that the office clerk notifies L.M.G.A. immediately of any line leaks. L.M.G.A. will be able to adjust the District's gas bill if notified of a leak in the month the leak occurs. Prices should be reviewed each quarter by System Operators and sales prices adjusted accordingly. Following is a comparison of gas losses for the past five years.

	<u>Gas Purchases</u> (MCFs)	<u>Gas Sales</u> (MSFs)	<u>Gas Losses</u> (MCFs)	<u>% Lost</u>
1990	58,885.	37,424.	21,461.	36.45%
1991	48,449.	40,265.	8,184.	16.89%
1992	50,105.	42,864.	7,241.	14.45%
1993	50,524.	43,647.	6,877.	13.61%
1994	44,055.	43,016.	1,039.	2.36%
1995	48,160.	45,106.	3,054.	6.34%

New Customers

The Board should continue to look for new customers and new incentive promotions to attract new customers. Listed below for comparative purposes is the customer count at year end and average customer count for the past five years.

	<u>Customers at</u> <u>Year End</u>	<u>Average Number</u> <u>of Customers</u>
1990	935	919
1991	948	933
1992	951	930
1993	969	935
1994	976	953
1995	987	968

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Page 3

The financial position of the District has greatly improved. With continued monitoring of gas losses, the improved price of gas, and a continued increase in the number of customers, the District's financial condition should continue to improve.

Very truly yours,

Durden & Alonzo

Durden and Alonzo,
Certified Public Accountants

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R E P O R T

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
Franklinton, Louisiana

December 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-14-96

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY

Franklinton, Louisiana

December 31, 1995

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William R. Durden

Donna W. Alonzo

Washington Parish Police Jury
Board of Commissioners
Washington Parish Gas
District No. 2
Franklinton, Louisiana

Gentlemen:

We have audited the accompanying financial statements of the Washington Parish Gas Utility District No. 2 (component of the Washington Parish Police Jury) as of December 31, 1995 and 1994, and for the years then ended. These financial statements are the responsibility of the District's Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note #1, the financial statements present only the activity of the Washington Parish Gas Utility District No. 2 and are not intended to present fairly the financial position of the Washington Parish Police Jury and results of its operations in conformity with generally accepted accounting principles.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Washington Parish Gas Utility District No. 2. The information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Receipt Acknowledged
Legislative Auditor

By *R. Salha*

Durden and Alonzo

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Donna W. Alonzo

(continued)

In our opinion, the financial statements referred to in the above paragraph present fairly, in all material respects, the financial position of the Washington Parish Gas Utility District No. 2 of the Washington Parish Police Jury as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Durden + Alonzo
Durden and Alonzo,
Certified Public Accountants

June 7, 1996

Durden and Alonzo

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Washington Parish Police Jury
Board of Commissioners
Washington Parish Gas
Utility District No. 2
Franklinton, Louisiana

We have audited the financial statements of the Washington Parish Gas Utility District No. 2 (component of the Washington Parish Police Jury) of and for the years ended December 31, 1995 and December 31, 1994, and have issued our report thereon dated June 7, 1996.

We conducted our audit in accordance with generally accepted auditing standards, 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 component unit financial statements are free of material misstatement.

The Board of Commissioners of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Washington Parish Gas Utility District No. 2 for the years ended December 31, 1995 and 1994, we obtained an understanding of the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the