

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

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Years Ended

	December 31, 1984	December 31, 1985
Operating revenue:		
Gas sales	\$ 488,035.	\$ 436,824.
Forfeited discounts	12,802.	10,880.
Overhead meters and adjustments	(11,944.)	(4,783.)
Line relocation reimbursement		79,266.
Miscellaneous income	<u>430.</u>	<u>665.</u>
Total operating revenue	<u>488,323.</u>	<u>522,832.</u>
Operating deductions:		
Gas purchases	331,734.	352,728.
Gas realignment costs	8,784.	6,785.
Billing service	79,361.	75,537.
Line relocation		79,266.
General and administrative (Schedule II)	39,321.	46,247.
Depreciation	28,880.	28,888.
Bad debt provision	<u>10,258.</u>	<u>7,522.</u>
Total operating deductions	<u>528,338.</u>	<u>545,774.</u>
Operating income (loss)	67,185.	138,289.
Non-operating revenue:		
Interest income	11,714.	9,574.
Grant revenues	2,580.	8.
Other charges:		
Revenue bond interest expense	(45,847.)	(48,317.)
Net income (loss)	34,940.	89,554.
Retained earnings (deficit):		
Beginning of year	(40,532.)	(126,238.)
Retained earnings (deficit):		
End of year	<u>(4,592.)</u>	<u>(40,532.)</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 1978

E. CASH AND CASH EQUIVALENTS
AND INVESTMENTS

Cash includes unrestricted amounts in demand deposits, interest-bearing demand deposits and time deposits. The district includes in cash and cash equivalents amounts in time deposits and time investments in bank certificates of deposits with original maturities of no more than 90 days. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, these are classified as cash equivalents. Investments are stated at cost.

F. INVENTORIES

Inventory 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.

G. RESTRICTED ASSETS

Bond Sinking and Reserve Fund

The Revenue Bond Reserve Fund and Sinking Fund were established in order to retire the \$1,348,000, 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. The funds included as restricted assets are offset in restricted liabilities.

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NOTES TO FINANCIAL STATEMENTS
December 31, 1998

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 units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Washington Parish Gas Utility District No. 2 is organized and operated under a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Revenue Fund uses the following practices in recording certain revenue and expenses:

Revenues

Gas revenue is accrued at the end of each month for gas consumed during the month. Customer bills are rendered at the beginning of each month, and accounts are primarily collected in the month following use of the gas.

Expenses

The district records expenses as they are incurred. Gas purchases are billed monthly and paid the following month. Supplies purchased during the month are normally paid for at the end of that month.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 3
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NOTES TO FINANCIAL STATEMENTS
December 31, 1995

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

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

This criteria includes:

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

Because the 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 financial reporting entity.

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NOTES TO FINANCIAL STATEMENTS
December 31, 1986

INTRODUCTION

The Washington Parish Gas Utility District No. 3 was created by the Washington Parish Police Jury on July 1, 1972 under provisions authorized by LA 23:438. 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 605 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, Audit 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. BASIS OF PRESENTATION

The accompanying component unit financial statements of the Washington Parish Gas Utility District No. 3 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

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

NOTES TO FINANCIAL STATEMENTS

WASHINGTON WATER GAS UTILITY DISTRICT NO. 2
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WASHINGTON WATER POLICE JURY
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NOTES TO FINANCIAL STATEMENTS
December 31, 1986

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.

F. 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 depreciable 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 expensed as used.

G. 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, 1986, the district had unrestricted cash and cash equivalents (bank balances) totaling \$3,662. in demand deposits. These deposits are stated at cost, which approximates market.

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STATEMENT OF CASH FLOWS
For the Years Ended

December 31, 1986 December 31, 1985

Cash flows from operating activities:

Net income	\$ 16,348.	\$ 86,145.
Adjustments to reconcile net income provided by operating activities:		
Depreciation and amortization	28,868.	28,449.
Increase(decrease) in accounts receivable	15,664.	(22,607.)
Increase(decrease) in inventories	0.	7,372.
Increase(decrease) in other assets	74,732.	(28,488.)
Increase(decrease) in accounts payable	(78,928.)	8,765.
Increase(decrease) in accrued liabilities	(848.5)	794.
Increase(decrease) in interest payable	(2,181.3)	(2,382.)
Total adjustments	<u>—32,581.3</u>	<u>— 52.</u>
Net cash provided (used) by operating activities	<u> 3,767.</u>	<u> 85,143.</u>
Cash flows from investing activities:		
Cash payments for purchase of equipment	(2,742.3)	(729.)
Net cash provided (used) from investing activities	(2,742.3)	(729.)
Cash flows from financing activities:		
Principal payments on long-term debt	(78,098.)	(79,100.)
Interest income added to sinking and reserve fund	(8,092.3)	(0.)
Net cash provided (used) by financing activities	(86,190.3)	(79,100.)
Net increase (decrease) in cash and equivalents	(5,682.3)	15,415.
Cash and cash equivalents, beginning of year	<u>12,518.</u>	(2,522.)
Cash and cash equivalents, end of year	<u>\$ 6,836.</u>	<u>\$ 12,518.</u>

See accompanying notes to financial statements.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
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Franklinton, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 5. FIXED ASSETS

All fixed assets are stated at historical cost. Following is a summary of the activity in the fixed accounts for 1998:

	Beginning Balance	Additions	Deletions	Ending Balance
Gas system	\$1,100,859.	\$ 0.	\$ 0.	\$1,100,859.
Gas meters	12,440.	0.	0.	12,440.
Office equipment	2,489.	594.	0.	3,083.
Other equipment	147.	2,349.	0.	2,496.
Total	<u>\$1,125,935.</u>	<u>\$ 2,943.</u>	<u>\$ 0.</u>	<u>\$1,128,878.</u>

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

	Cost	Accum. Depreciation	Net
Gas System	\$1,100,859.	\$0.00.	\$100,859.
Gas meters	12,440.	4,800.	8,640.
Office equipment	2,489.	2,118.	3,748.
Other equipment	2,896.	782.	2,114.
Total	<u>\$1,128,084.</u>	<u>\$7,700.</u>	<u>\$100,272.</u>

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

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
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BALANCE SHEET
 As at

LIABILITIES AND FUND EQUITY

	December 31, 1985	December 31, 1984
Current liabilities:		
Accounts payable	\$ 172,756.	\$ 249,483.
Accrued expenses	2,174.	2,285.
Total current liabilities	<u>174,930.</u>	<u>251,768.</u>
Current liabilities:		
(Payable from Restricted Assets)		
Revenue bonds payable - current portion	75,000.	75,000.
Accrued interest - revenue bonds	17,443.	19,589.
Customers' meter deposits	<u>28,483.</u>	<u>27,253.</u>
Total current liabilities (Restricted Assets)	<u>120,926.</u>	<u>121,842.</u>
Long-term liabilities:		
Revenue bonds payable	569,000.	628,000.
Less current portion	(<u>73,000.</u>)	(<u>78,000.</u>)
	<u>496,000.</u>	<u>550,000.</u>
Total liabilities	791,856.	823,610.
Fund equity:		
Retained earnings:		
Unreserved	(40,692.)	(126,237.)
Net income	<u>36,140.</u>	<u>89,845.</u>
Total liabilities and Fund Equity	<u>2,176,304.</u>	<u>2,887,218.</u>

See accompanying notes to financial statements.

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

Franklinston, Louisiana

December 31, 1996

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Washington Parish Police Jury
Board of Commissioners
Washington Parish Gas
District No. 3
Franklin, Louisiana

Gentlemen:

We have audited the accompanying financial statements as listed in the table of contents of the Washington Parish Gas Utility District No. 3 (a component of the Washington Parish Police Jury) as of December 31, 1996 and 1997, 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 and 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.

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. 3. 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.

In accordance with Government Auditing Standards, we have also issued a report dated June 23, 1997 on our consideration of Washington Parish Gas Utility District No. 3's internal control structure and a report dated June 23, 1997 on its compliance with laws and regulations.

Burden and Alving

CERTIFIED PUBLIC ACCOUNTANTS

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William B. Burden

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(continued)

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

Burden and Alving

Burden and Alving
Certified Public Accountants

June 23, 1997

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

STATEMENT OF REVENUE AND EXPENSES-ACTUAL TO BUDGET

For the Year Ended December 31, 1966

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Adverse)
Operating Revenue:			
Gas sales, forfeited discounts, overread meter adjustments	\$468,800.	\$468,891.	\$ 55,891.
Miscellaneous income	500.	430.	(70.)
Interest income	10,800.	11,714.	1,714.
Grant funds	0.	2,500.	2,500.
Total Revenue	<u>479,600.</u>	<u>479,335.</u>	<u>68,605.</u>
Expenses:			
Gas purchases	150,784.	241,528.	(41,744.)
Bond interest	47,250.	48,287.	1,037.
Billing services	75,420.	75,381.	39.
Provision for bad debts	7,000.	10,358.	(3,358.)
Repairs	7,500.	7,276.	224.
Line supplies	8,000.	7,840.	160.
Electricity	8,200.	6,801.	1,399.
Taxes	0.	2,000.	(2,000.)
Legal and accounting	5,200.	4,800.	300.
Board fees	4,400.	4,466.	(66.)
Warehouse rent	150.	600.	(450.)
Office supplies	800.	800.	50.
Depreciation	28,800.	28,800.	(260.)
Miscellaneous	2,800.	4,332.	(1,532.)
Total	<u>383,584.</u>	<u>428,125.</u>	<u>(45,541.)</u>
Net Income (Loss)	<u>\$ 96,016.</u>	<u>\$ 51,210.</u>	<u>\$ 44,806.</u>
Debt Service Budget:			
Sinking fund transfers	137,000.	134,800.	(2,200.)
Reserve fund transfers	0.	6,800.	6,800.
Total debt service	<u>137,000.</u>	<u>141,600.</u>	<u>\$ 4,600.</u>

See accompanying notes to financial statements.

Darden and Alving

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William R. Darden

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT ACCOUNTING 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, a component unit of the Washington Parish Police Jury, for and for the years ended December 31, 1998 and December 31, 1999, and have issued our report thereon dated June 30, 1999.

We conducted our audit in accordance with generally accepted auditing standards and 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 component unit 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, 1998 and 1999, we obtained an understanding of the internal control structure. With respect to 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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 1996

NOTE 4. RESTRICTED ASSETS

At December 31, 1996, the district had restricted funds (collected bank balances) as follows:

	Collected Bank Balances	Book Value
Meter Deposit Funds:		
Demand Deposits	\$ 8,933.	\$ 9,734.
Interest-bearing demand deposits	\$ 15,749.	15,749.
Time deposits	\$ 3,000.	3,800.
Cash and Reserve Fund		
Investments - U.S. Government Sec.	\$148,788.	\$148,788.

These deposits are stated at cost which approximates market. During 1996 there were no deposits (excluding U.S. Government investments) which exceeded the \$100,000. of Federal Deposit Insurance.

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:

Percentage to sales		Charge-offs	
		1994	\$ 5,023.
		1995	5,355.
		1996	<u>8,433.</u>
			18,811.
			<u> 3</u>
			<u>\$ 8,372.</u>
Allowance account balance 1/31/96			\$ 4,718.
Less current year charge-offs			(8,433.)
Current year provisions			<u>8,372.</u>
Allowance account balance 12/31/96			<u>\$ 4,657.</u>

Borden and Alving

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William B. Borden

James W. Alving

June 24, 1997

Board of Commissioners
Washington Parish Gas
Utility District No. 3
Franklinton, Louisiana

Dear Board of Commissioners:

We completed our examination of the books and records of the Washington Parish Gas Utility District No. 3 for the year ended December 31, 1996, 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 1996 were still excessive. There were several accounts with large balances. (3723, 3513, and 2417.) 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 the cut off list. In some instances, the maintenance personnel are taking payments. We suggest that all payments be made at the district's office.
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 wary their contract with System Operators provides for reimbursement for any missing funds.

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NOTICE TO FINANCIAL STATEMENTS
December 31, 1994

NOTE 7. REVENUE BONDS PAYABLE

The current balance of \$800,000. 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 \$3,000. 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 bonds 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:

Date	Bond Maturity	Principal	Interest	Total
2/1/97	-	-	21,000.	21,000.
8/1/97	148 - 163	75,000.	21,000.	96,000.
2/1/98	-	-	18,188.	18,188.
8/1/98	164 - 180	65,000.	18,187.	183,187.
2/1/99	-	-	15,000.	15,000.
8/1/99	181 - 200	100,000.	15,000.	115,000.
2/1/2000	-	-	11,350.	11,350.
8/1/2000	201 - 220	100,000.	11,350.	111,350.
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>
Total		<u>\$ 800,000.</u>	<u>\$ 188,175.</u>	<u>\$ 988,175.</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 1996

NOTE 8. GRANT

The district received a \$2,100 grant from the Louisiana Department of Natural Resources. The funds were to be used as a reimbursement for expenses incurred from the first year of participation in a regional owl call program. The district's board of directors used the \$2,100 to purchase a line detector (\$2,040) and a fax/copier machine (\$60). Invoices were submitted to the Department of Natural Resources and they reimbursed the district.

NOTE 9. COMPENSATED ABSENCES

The district does not have any employees and therefore there is no provision for compensated absences.

NOTE 10. LEASES

The district does not have any items under a capital or operating lease at December 31, 1996.

NOTE 11. LITIGATION AND CLAIMS

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 December 31, 1996 there are no legal actions pending against the district.

NOTE 12. BUDGET

The district's board approved the 1996 budget at their July 1996 board meeting. The budget is prepared on an accrual basis. 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. The budget was not exceeded during 1996.

NOTE 13. GAS REALIGNMENT

The Federal Energy Regulatory Commission issued order #816 restricting the sale of natural gas by pipeline companies. The Commission in this order did give authority to the pipeline companies to pass along to its servicing customers the cost of realigning the contracts they had for purchasing supplies.

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December 31, 1986

The total realignment cost the District will have to reimburse SONAT was negotiated by Louisiana Municipal Gas Authority Gas agent for the District). Louisiana Municipal Gas Authority and SONAT reached an agreement by which the District will pay an annual payment of \$8,755.80 for the years 1984, 1985, 1986, and 1987 (Total of \$35,078.80).

NOTE 14. ON-BEHALF PAYMENTS

Certain operating expenditures of the district are paid by the Washington Parish Police Jury. The district's office is located in a building leased by the Police Jury. The Police Jury pays the rent and utilities on the building (office space approximately 80 square feet). These expenditures are not reflected in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

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

GENERAL AND ADMINISTRATIVE EXPENSE
For the years ended

	December 31, 1994	December 31, 1993
Clerical expenses	\$ 4,801.	\$ 5,362.
Taxes	2,028.	2,278.
Audit and legal expense	4,800.	8,878.
Board of Commissioners compensation	4,866.	4,443.
Hiring agent fee	1,355.	1,782.
Warehouse rent	600.	600.
Supplies - office	860.	401.
Supplies - gas line	7,840.	12,185.
Repairs and maintenance	7,276.	7,414.
Telephone	837.	0.
One-call concept	652.	0.
Miscellaneous	<u>1,269.</u>	<u>1,504.</u>
Total	<u>\$ 38,121.</u>	<u>\$ 45,142.</u>

See independent auditor's report.

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

BOARD OF COMMISSIONERS EXPENSE

For the Year Ended December 31, 1978

The Board of Commissioners of the district consist of five members appointed by the Washington Parish Police Jury. The following schedule of Commissions paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1978 session of the Louisiana Legislature.

	<u>Retiree</u>	<u>Travel</u>	<u>Total</u>
Mr. Will Smith, Jr.	31 \$ 825.	5125.	\$ 5950.
Mr. Louis A. Jones	31 825.	23.	848.
Mr. Ralph Riley	32 900.	182.	1,082.
Mr. J.M. Thomas	31 825.	82.	907.
Mr. Joe H. Davis	31 825.	52.	877.
Total	24,200.	2664.	26,864.

Compensation received was in compliance with R.S. 33:4365.B.(11).

See independent auditor's report.

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

STATEMENT OF CHANGES IN ASSETS
RESTRICTED FOR RIVERBANK WOOD BERT SERVICE

For the Year Ended December 31, 1986

	<u>Sinking Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Balance, January 1, 1986	\$ 38,468.	\$ 123,488.	\$ 158,956.
Cash receipts:			
transfers from operating account	114,000.	8,000.	122,000.
Interest earnings	3,507.	4,288.	8,795.
Transfers from reserve	<u>3,288.</u>	<u>(3,288.)</u>	<u>0.</u>
Total funds available	<u>130,804.</u>	<u>128,400.</u>	<u>259,204.</u>
Cash disbursements:			
Principal payments	78,000.	0.	78,000.
Interest payments	47,250.	0.	47,250.
Trust department fees	<u>258.</u>	<u>434.</u>	<u>692.</u>
Total disbursements	<u>125,508.</u>	<u>434.</u>	<u>125,942.</u>
Balance, December 31, 1986	<u>\$ 38,756.</u>	<u>\$128,088.</u>	<u>\$166,844.</u>

See independent auditor's report.

Burden and Alving

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William R. Burden

Bonnie W. Alving

(continued)

We considered this instance of non-compliance in forming our opinion on whether the Washington Parish Gas Utility District No. 2's 1996 component unit financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles, and this report does not affect our report dated June 28, 1997, on those component unit financial statements.

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 matter of public record and its distribution is not limited.

Burden and Alving

Burden and Alving
Certified Public Accountants

June 28, 1997

Darden and Alving

CHIEF PUBLIC ACCOUNTANTS

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150 SOUTH BRIDGES

William R. Darden

James W. Alving

Page 2

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.

4. There does not appear to be a concerted effort to collect accounts before they are written off. A policy procedure should be established that would provide written evidence of efforts to collect delinquent accounts and why the account should be written off.
5. Minutes need to reflect an annual election of officers, and at the same time bank signature cards should be up-dated.

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 notified L.M.C.A. immediately of any line leaks. L.M.C.A. will be able to adjust the District's gas bill as 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.

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

BALANCE SHEET
As at

	December 31, 1936	December 31, 1935
ASSETS		
Current assets:		
Cash on hand and in banks	\$ 4,975.	\$ 12,618.
Accounts receivable	78,340.	88,658.
Less allowance for bad debts (4,272.1	4,711.1)
Accounts receivable - labor billing		78,388.
Accrued interest receivable	3,883.	189.
Total current assets	<u>72,826.</u>	<u>175,163.</u>
Restricted Assets:		
Revenue Bonds Reserve Fund	130,800.	133,488.
Revenue Bonds Sinking Fund	38,156.	38,488.
Customer's Meter Deposit Fund	32,452.	37,282.
Total restricted assets	<u>199,312.</u>	<u>187,268.</u>
Property and equipment:		
Gas line system	1,104,658.	1,106,658.
Gas meters	12,440.	12,440.
Office equipment	4,887.	3,482.
Other equipment	2,886.	787.
Total property and equipment	1,124,861.	1,123,367.
Less accumulated depreciation	(100,924.)	(587,064.)
Net property and equipment	<u>101,937.</u>	<u>536,303.</u>
Total Assets	<u>\$ 276,503.</u>	<u>\$ 882,138.</u>

See accompanying notes to financial statements.

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COMMERCIAL BANK



R E P O R T

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

Component Unit Financial Statements
 and Auditor's Reports
 As of and for the years ended
 December 31, 1964 and 1965
 With Supplemental Information

Under provisions of state law,
 which is a public document,
 copy of the report has been referred
 to the auditor, or receiver,
 and other appropriate public
 officials. This report is available for
 public inspection at the Eastern
 Storage office of the Legislative Auditor
 and, where appropriate, at the
 office of the parish clerk of court.

Release Date: J. C. 1967

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

NOTES TO FINANCIAL STATEMENTS
December 31, 1996

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, 1996, the district has \$13,287 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance.

NOTE 3. 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 five years the operation has resulted in net income.

Retained earnings deficit at 12/31/90	(\$56,312.)
Operating results:	
1991	36,838.
1992	66,283.
1993	77,704.
1994	49,100.
1995	95,545.
1996	36,340.
Retained earnings deficit at 12/31/96	<u>\$4,112.</u>

The Board of Commissioners will continue to monitor gas cost (losses and prices) 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.

Borden and Minge

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William R. Borden

James W. Minge

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, a component unit of the Washington Parish Police Jury, as of and for the years ended December 31, 1998 and 1999, and have issued our report thereon dated June 20, 1999.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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.

Compliance with laws, regulations, bond indenture provisions, and grants applicable to the Washington Parish Gas Utility District No. 2 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, bond indenture provisions and grants. 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 disclose the following instance of non-compliance concerning the adoption of the 1998 budget that is required to be reported herein under Government Auditing Standards. The 1998 budget was not timely adopted (July 1998). According to LSA-BS 20:1305, an annual budget is to be adopted and submitted to the governing authority (Police Jury) not later than fifteen days prior to the beginning of the fiscal year.

Burden and Alingo

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William R. Burden

Donna W. Alingo

Page 3

	<u>Gas Payments</u> (MFC's)	<u>Gas Sales</u> (MFC's)	<u>Gas Losses</u> (MFC's)	<u>Loss</u>
1991	48,449	40,365.	8,184	16,879
1992	50,305	42,804.	7,501	14,458
1993	50,824	43,647.	7,177	13,424
1994	48,865	43,018.	5,847	7,364
1995	48,180	45,006.	3,174	6,348
1996	53,490	47,816.	5,674	14,198

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>
1991	948	933
1992	951	930
1993	949	928
1994	976	943
1995	987	948
1996	970	946

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,

William R. Burden

Burden and Alingo
Certified Public Accountants

FINANCIAL STATEMENTS

Burden and Alingo

CERTIFIED PUBLIC ACCOUNTANTS

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(continued)

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, 1997.

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.

Burden and Alingo
BURDEN and ALINGO
Certified Public Accountants

June 30, 1997

Burden and Alving

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(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 or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit 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 Union Square 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. An 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. We will have the certified public accountants firm do uncheduled cash counts four times a year.
- Finding:** lack of control over meter and supply purchases.