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Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2003

Under provisions of state law this report is a public document. Copies of the report has been submitted to the 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 7-28-04

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2009
With Supplemental Information Schedules

CONTENTS

	Page No.
Independent Auditor's Report	3
Management's Discussion and Analysis	6
Basic Financial Statements	
Statement of Net Assets	13
Statement of Revenues, Expenses and Changes in Net Assets	17
Statement of Cash Flows	18
Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual	19
Notes to Financial Statements	20
Supplemental Information:	
Schedule of Other Operating Expenses	30
Schedule of Commissioners Compensation	32
Schedule of Gas Rates	33
Management's Corrective Action Plan and Summary of Prior Year Audit Findings:	
Summary Schedule of Prior Year Audit Findings	34
Corrective Action Plan for Current Year Audit Findings	36
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and each major fund of the Washington Parish Gas Utility District No.2, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2003, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Washington Parish Gas Utility District No.2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Washington Parish Gas Utility District No.2, as of December 31, 2003, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June, 13, 2004, on our consideration of the Washington Parish Gas Utility District No. 2's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of and for the year ended December 31, 2003.

BRUCE HARRILL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To the Board of Commissioners
Washington Parish Gas Utility District No. 1
Washington Parish Council
Franklin, Louisiana
Page 2

The management's discussion and analysis on pages 4 through 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Washington Parish Gas Utility District No.1's basic financial statements. The supplemental information on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce Harrill & Company, CPAs
A Professional Accounting Corporation

June 15, 2004

Management's Discussion and Analysis

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Management's Discussion and Analysis
As of and For the Year Ended December 31, 2003

Introduction

Washington Parish Gas Utility District No. 2 is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34) and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets at December 31, 2003, were \$1,119,181, and exceeded liabilities in the amount of \$363,973 (i.e., net assets). Of the total net assets, \$314,887 was unrestricted and available to support short-term operations, with the balance invested in capital assets net of related debt and restricted for capital activity and debt service.
- Total long-term debt decreased from \$682,108 at December 31, 2002 to \$663,688 at December 31, 2003. The prescribed monthly payments were all made in a timely manner.
- User fee revenues (gas sales) for the fiscal year ending December 31, 2003 decreased by \$54,230 representing an approximate decrease of 8.24% from total user fee revenues for fiscal year December 31, 2002 of \$668,234. This decrease was due to a mild winter and a decrease in the number of customers.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than depreciation, increased by \$122,080. Key components of the increase were a gas cost increase of \$49,179, salaries increase of \$57,264, and increased insurance cost of \$15,637.
- The District received a grant of \$26,808 through the parish government, and expenses available for grant reimbursement (revenues) were \$17,687. The balance of \$9,121 was forfeited because of time constraints on use of the grant funds.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2005

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Washington Parish Gas Utility District No. 2's financial condition and performance.

The financial statement reports information on the District using full accrual accounting methods similar to those used in the private sector. Financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets provides information about the nature and amount of the District's resources and obligation at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets accounts for the operation of the Gas District, for the revenues and expenses and the resulting change in net assets for the fiscal year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flow reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to the understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any.

Financial Analysis

The purpose of financial analysis is to help determine whether Washington Parish Gas Utility District No. 2 is better off as result of the current year's activities. In this analysis, data from two basic financial statements, the Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2003

Condensed Statement of Net Assets

	December 31, 2003	December 31, 2002	Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 370,272	\$ 354,107	\$ 16,165	4.57%
Restricted Assets	67,267	62,289	4,978	7.99%
Capital Assets	691,644	727,430	(35,786)	-4.92%
Total Assets	<u>1,129,183</u>	<u>1,143,826</u>	<u>(14,643)</u>	<u>-1.28%</u>
Liabilities:				
Long-term Debt Outstanding	663,680	692,108	(28,428)	-4.11%
Other Liabilities	102,531	87,326	15,205	17.41%
Total Liabilities	<u>766,211</u>	<u>779,434</u>	<u>(13,223)</u>	<u>-1.70%</u>
Net Assets:				
Invested in Capital Assets, Net	27,966	35,322	(7,356)	-20.83%
Restricted for Debt Service	20,119	11,896	8,213	70.41%
Unrestricted	314,887	317,264	(2,377)	-0.75%
Total Net Assets	<u>\$ 362,972</u>	<u>\$ 364,392</u>	<u>\$ (1,420)</u>	<u>-0.39%</u>

The major components of change in "Current and Other Assets" are a \$69,533 decrease in operating cash, a decrease in accounts receivable of \$23,877, and a \$91,879 increase in gas inventory.

"Capital Assets" decreased by \$35,786, reflecting \$18,070 in total purchases of equipment, less depreciation recorded on capital assets of \$55,856 for fiscal year ending December 31, 2003.

The decrease in "Long-Term Debt Outstanding" of \$28,428 is due to payment of principal on existing gas revenue bonds for year.

Total Net Assets decreased \$1,420 for fiscal year ending December 31, 2003, primarily because of the decreases noted for "Current and Other Assets".

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	December 31, 2002	December 31, 2001	Dollar Change	Percent Change
Revenues:				
Total Operating Revenues	\$ 614,148	\$ 685,411	\$ (52,263)	-7.64%
Expenses:				
Depreciation Expenses	15,526	54,713	(3,141)	-5.09%
Operating Expenses	549,238	427,218	(122,020)	-28.59%
Total Expenses	605,024	481,931	(123,141)	-25.55%
Operating Income (Loss)	9,024	184,478	(175,454)	-85.08%
Nonoperating revenues (expenses):				
Interest income	4,022	3,595	427	11.88%
Revenue bond interest	(12,313)	(34,298)	2,085	-6.07%
Total nonoperating revenues (expenses)	(28,191)	(30,703)	2,512	-8.18%
Income (loss) before contributions	(19,117)	153,775	(172,894)	-112.43%
Contributions:				
Grant contributions	17,687	-	17,687	n/a
Total contributions	17,687	-	17,687	n/a
Change in net assets	(1,429)	153,775	(155,197)	-100.93%
Net assets, beginning of year	364,192	282,386	82,812	89.02%
Prior period adjustment	-	8,235	(8,235)	-100.00%
Net assets, end of year	\$ 362,763	\$ 384,396	\$ (21,633)	-5.59%

While the Statement of Net Assets shows the change in financial position of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. Total "Operating Revenues" (including gas sales and revenues related to providing gas and related services to customers) decreased by \$52,263. Nonoperating Revenues increased by \$427. Contributions increased to \$17,687 resulting from a grant. Total Operating Expenses increased by \$122,020 over prior year expenses. Cost of gas sales increased by \$49,279, and other operating expenses increased by \$74,521.

Washington Parish Gas Utility District No. 1
Washington Parish Council
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2003

Budgetary Highlights

The proposed budget for 2000 was presented at the November 26, 2000 board meeting, and adopted at the January 23, 2001 board meeting. The budget is prepared on the accrual basis of accounting, with additional provision made for bond debt service. The board forwarded a copy of the approved budget to the Washington Parish Council. The board revises the budget to actual comparison on a monthly basis as a part of their management of the system. The 2003 budget was amended at the December 18, 2000 board meeting. The 2004 budget was presented at the November 25, 2003 board meeting and adopted at the December 18, 2003 meeting.

Budget vs. Actual - Fiscal Year Ended December 31, 2003

	Amended Budget	Actual	Variance
Gas sales	1500,000	1601,993	101,993
Permitted discounts	7,500	5,729	(1,771)
Adjustment/over read meters	600	928	328
Miscellaneous income	2,700	1,498	(1,202)
Total operating revenues	593,000	614,148	21,208
Gas purchases	275,000	285,964	(10,964)
Bad debts	5,200	5,200	-
Other operating expenses	288,941	288,664	27,604
Depreciation	15,000	15,826	(826)
Total operating expenses	618,141	605,654	11,871
Operating income (loss)	(25,209)	8,074	34,209
Interest income	2,700	4,033	1,333
Bond interest expense	(31,600)	(32,213)	1,298
Income (loss) before contributions	(56,109)	(18,117)	37,992
Contributions	28,800	17,697	(11,103)
Change in net assets	(27,309)	(1,420)	24,778
Net assets, beginning of the year	318,717	364,180	45,463
Net assets, ending of the year	\$291,408	\$362,760	\$71,352

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2003

There was no significant variation between budgeted and actual "Operating and Non-Operating Revenues", "Operating Expenses" including depreciation was \$11,071 below budgeted "Operating Expenses". The District's amended budget showed an operating loss of (\$25,295) but the actual operation resulted in an operating income of \$9,074. The District's amended budget showed a total net loss (change in net assets) of (\$36,183) while the actual loss (change in net assets) after contributions was a loss of (\$1,400).

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2003	December 31, 2002	Increase (Decrease)
Customers:			
Active	877	894	(17)
Locked	58	63	(5)
Total	935	957	(22)

The above table shows a decrease of twenty-two customers. This decrease was part of the cause in the reduction of revenue for the fiscal year ended December 31, 2003. The District is continuously attempting to increase their customer base.

Following is a comparison of gas losses for the past five years:

	Gas Purchases (MCFPS)	Gas Sales (MCFPS)	Gas Loss (MCFPS)	% Loss
1999	47,399	40,688	6,711	14.16%
2000	46,975	38,490	8,485	18.06%
2001	51,535	36,419	15,116	29.33%
2002	49,996	37,602	12,394	24.81%
2003	34,478	34,466	12	0.03%

The Board has established a procedure to check the daily readings from El Paso Gas' meters. They are able to determine leaks in the District's system due to any large fluctuations in the readings. The District has been replacing old meters, which they felt was a source of gas losses in the past. "Gas purchases" is the net effect of total purchases plus beginning inventory less ending inventory.

Washington Parish Gas Utility District No. 1
Washington Parish Council
Franklin, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2003

One key measure of a gas district's profitability and ability to generate positive cash flows is the ability of the District to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for fiscal years ending December 31, 2003 and 2002.

	Year Ended December 31, 2003	Year Ended December 31, 2002	Increase (Decrease)
0 - 30 Days Past Due	\$ 97,805	\$ 113,773	\$ (15,968)
31 - 60 Days Past Due	1,325	8,135	(7,810)
61 - 90 Days Past Due	-	4,041	(4,041)
Over 90 Days Past Due	-	12,791	(12,791)
Total Accounts Receivable (Before Allowance for Bad Debts)	\$ 99,130	\$ 148,740	\$ (49,610)

Total receivables for the gas district decreased by \$49,610 from December 31, 2002, to December 31, 2003, with a decrease in all categories. The sustained decrease reflects an increased effort to collect past due accounts.

Capital Assets

At the end of the fiscal year December 31, 2003, the District had \$691,644 (net of accumulated depreciation) recorded in capital assets. This includes gas line systems and improvements, gas meters, storage building, office equipment, transportation equipment, and maintenance equipment. The changes in capital assets are presented in the table below.

	December 31, 2003	December 31, 2002	Dollar Change	December 31, 2003
Gas Line System	\$ 1,512,523	\$ 1,512,523	\$ -	0.00%
Gas Meters	12,440	12,440	-	0.00%
Storage Building	18,331	18,331	-	0.00%
Office Equipment	52,189	51,029	1,160	2.00%
Other Equipment	19,200	-	19,200	100.00%
Subtotal	1,686,513	1,586,443	100,070	1.26%
Less Accumulated				
Depreciation	(914,869)	(899,813)	(15,056)	-1.11%
Net Capital Assets	\$ 691,644	\$ 727,458	\$ (35,814)	-3.17%

Purchases of capital assets for the year ended December 31, 2003 were office equipment (\$1,160), and a used truck (\$14,800).

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2003

Long-Term Debt Activity

The present source of the long-term financing for Washington Parish Gas Utility District No. 2 is a revenue bond financed by United States Department of Agriculture, Rural Development. The bonds were issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to their gas utility systems and to retire the old bond debt (\$278,126). The funds were advanced over a period from June 1999-October 2000, and totaled \$758,808. Interest on the debt is charged at a rate of 4.75% per annum payable over twenty years. Bonds financed for Washington Parish Gas Utility District No. 2 do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its gas rates at a level necessary to fund debt service requirements and to pay for normal operating expenses of the District. One measure of operating performance of the District is the Debt to Net-Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and in this case the board would analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. Two variations of the Debt to Assets Ratio, total debt to net assets and total long-term debt to net assets, are presented below. As indicated, the ratios are only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2003	December 31, 2002
Total Debt	\$ 643,480	\$ 692,188
Total Long-Term Debt	631,522	685,758
Total Net Assets	362,672	264,282
Total Debt to Net Assets Ratio	182.85%	189.94%
Total Long-Term Debt to Net Assets Ratio	174.65%	182.15%

Future Economic Plans

The Washington Parish Gas Utility District's management approach is conservative. The Board actively considers revenues and expenses and evaluates the costs of proposed expansion projects. The District is also in the process of replacing the old meters, which will improve the system and reduce gas loss. The Board reviews accounts receivable on a monthly basis in an effort to reduce delinquent accounts, and also continues to search for ways to increase the number of customers serviced.

FINANCIAL STATEMENTS

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Statement A

Statement of Net Assets
December 31, 2000 and 2001

Assets:	<u>2000</u>	<u>2001</u> (Revised)
Current assets:		
Cash on hand and in banks	\$ 111,298	\$ 170,819
Accounts receivable-net of allowance for bad debts	97,805	120,882
Unbilled revenues	22,951	25,699
Inventory	105,848	11,059
Prepaid insurance	23,174	13,180
NSP receivable	90	590
Total current assets	<u>399,256</u>	<u>342,139</u>
Restricted assets:		
Revenue bonds reserve fund	9,254	5,985
Revenue bonds contingency fund	10,793	5,811
Customer's meter deposit fund	47,148	58,483
Total restricted assets	<u>67,195</u>	<u>70,279</u>
Property and equipment:		
Gas line system	1,510,523	1,512,523
Gas meters	12,440	12,440
Equipment	71,189	51,129
Storage building	10,251	18,551
Total property and equipment	<u>1,604,403</u>	<u>1,594,643</u>
Less accumulated depreciation	<u>(814,899)</u>	<u>(838,013)</u>
Net property and equipment	<u>789,504</u>	<u>756,630</u>
Other assets:		
Deferred bond issuance cost	14,148	14,148
Less amortization	<u>(3,242)</u>	<u>(2,195)</u>
Total other assets	<u>10,906</u>	<u>11,953</u>
Total Assets	<u><u>3,128,185</u></u>	<u><u>3,141,824</u></u>

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Statement A

Statement of Net Assets
December 31, 2003 and 2002

	2003	2002 (Restated)
Liabilities		
Current Liabilities		
Accounts payable	\$ 51,634	\$ 33,179
Accrued expenses	2,973	3,586
Current portion of long-term debt	29,714	28,370
Accrued interest payable	692	721
Total current liabilities	84,849	67,736
Current Liabilities-payable from restricted assets		
Customers' meter deposits	47,248	47,930
Total current liabilities	47,248	47,930
Long-term liabilities:		
USDA Rural Development bonds payable	683,688	692,183
Less current portion	(29,714)	(28,370)
Total long-term liabilities	653,974	663,713
Total liabilities	786,211	779,414
Net Assets		
Invested in Capital Assets, Net of Related Debt	27,968	34,917
Restricted for Debt Service	20,119	11,866
Unrestricted	314,887	317,829
Total Net Assets	\$ 362,974	\$ 364,612

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 1
Washington Parish Council
Franklin, Louisiana

Statement B

Statement of Revenues, Expenses and
Changes in Net Assets

For the Years Ended December 31, 2003 and 2002

	2003	2002 (Revised)
Operating revenues:		
Gas sales	\$ 600,960	\$ 688,204
Forfeited discounts	3,728	5,528
Over read meters and adjustments	928	(53)
Miscellaneous income	2,498	2,722
Total operating revenues	614,114	696,411
Operating expenses:		
Cost of gas sold	285,864	295,685
Bad debt provision	3,208	7,000
Other operating expenses (Schedule 1)	258,804	180,510
Depreciation	53,858	34,715
Total operating expenses	601,734	517,910
Operating income (loss)	12,380	184,478
Nonoperating revenues (expenses):		
Interest income	4,822	3,393
Revenue bond interest	(32,213)	(34,384)
Total nonoperating revenues (expenses)	(27,391)	(30,991)
Income (loss) before contributions	(15,011)	153,477
Contributions:		
Grant contribution	17,691	-
Total contributions	17,691	-
Change in net assets	1,680	153,477
Net assets, beginning of year	164,392	202,180
Prior period adjustment:	-	8,233
Net assets, end of year	\$ 166,072	\$ 210,413

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Statement C

Statement of Cash Flows
For the Years Ended December 31, 2002 and 2001

	2002	2001 (Restated)
Cash flows from operating activities:		
Cash received from customers	\$ 634,987	\$ 601,878
Receipts (payments) for meter deposits	(580)	2,364
Payments for goods and services	(328,784)	(360,366)
Payments to employees	(208,044)	(80,200)
Net cash provided (used) by operating activities	4,579	177,476
Cash flows from capital and related financing activities:		
Receipts from grants	17,657	-
Increase in restricted assets	(4,979)	(8,198)
Principal payments on debt	(28,438)	(28,517)
Interest payments on bonded debt	(70,242)	(31,688)
Payments for capital acquisitions	(28,876)	(17,382)
Net cash provided (used) by capital and related financing activities	(144,878)	(85,685)
Cash flows from investing activities:		
Interest receipts	4,822	3,193
Net cash provided (used) by investing activities	4,822	3,193
Net increase (decrease) in cash and equivalents	(95,577)	89,084
Cash and cash equivalents, beginning of year	176,819	77,885
Cash and cash equivalents, end of year	\$ 111,242	\$ 176,969
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 9,874	\$ 184,478
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	51,826	54,713
(Increase) decrease in accounts receivable	21,876	(48,038)
(Increase) decrease in unbilled receivable	2,853	(2,783)
(Increase) decrease in inventory	(81,878)	20,220
(Increase) decrease in prepaid insurance	(5,792)	(2,038)
(Increase) decrease in net receivable	908	187
(Increase) decrease in bond issue cost	1,687	747
Increase (decrease) in accounts payable	18,443	(44,377)
Increase (decrease) in accrued expenses	(2,111)	1,867
Increase (decrease) in meter deposit payable	(580)	2,364
Net cash provided (used) by operating activities	\$ 4,579	\$ 177,476

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Statement D

Statement of Revenues, Expenses and Changes in
Net Assets - Budget and Actual

For the Year Ended December 31, 2008

	Original Budget	Amended Budget	Actual	Variance
Operating revenues:				
Gas sales	\$ 400,000	\$ 388,000	\$ 483,993	\$ 95,993
Fuel/coal discounts	10,000	3,000	3,729	(1,271)
Adjustment/revenue/incent	(2,000)	600	928	328
Miscellaneous income	1,400	2,760	3,498	748
Total operating revenues	<u>400,000</u>	<u>394,360</u>	<u>494,148</u>	<u>99,788</u>
Operating expenses:				
Gas purchases	300,000	275,000	283,964	(19,964)
Bad debts	5,000	3,500	3,500	-
General and admin. expense	197,500	280,940	298,654	17,714
Depreciation	50,000	55,000	55,890	(890)
Total operating expenses	<u>552,500</u>	<u>613,940</u>	<u>642,058</u>	<u>128,100</u>
Operating income (loss)	<u>97,500</u>	<u>(21,298)</u>	<u>9,074</u>	<u>11,688</u>
Nonoperating revenues (expenses):				
Interest income	5,000	3,700	4,022	1,322
Revenue bond interest expense	(12,000)	(20,600)	(22,212)	1,610
Total nonoperating revenues (expenses)	<u>(7,000)</u>	<u>(16,900)</u>	<u>(18,190)</u>	<u>9,112</u>
Income (loss) before contributions	<u>90,500</u>	<u>(38,198)</u>	<u>(9,117)</u>	<u>20,801</u>
Contributions - Grant	-	20,000	17,627	(2,373)
Change in net assets	90,500	(38,198)	(1,490)	38,718
Net Assets, beginning	156,171	126,117	164,192	8,233
Net Assets, ending	<u>\$ 246,671</u>	<u>\$ 87,919</u>	<u>\$ 162,692</u>	<u>\$ 74,773</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2005

Introduction

The Washington Parish Gas Utility District No. 2 was created by the Washington Parish Council on July 7, 1972, under provisions authorized by LRS 33:436. 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 935 customers over distribution lines of 165 miles.

The accounting and reporting policies of the District are the responsibility of a five-member board (compensated, Subcode 12) 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 guidelines set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry audit guide, *Audit of State and Local Governmental Units*.

I. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements are prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless these pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements: Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

B. Reporting Entity

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

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2011

The financial reporting entity consists of (a) the primary government, parish council, (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 Council 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 parish council 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 parish council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
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 parish council 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 Council, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that 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 on a fund basis of accounting whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets, 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 cost (expenses, including depreciation) of providing service on a continuing basis be financed or recovered primarily through user charges.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2003

B. 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 as the time liabilities are incurred. The District uses the following practices in recording certain revenues and expenses:

Revenues

All revenues are susceptible to accrual basis of accounting. Gas revenues are billed on a recurring monthly basis, as the District's customers use gas. Bills are rendered at the beginning of each month for gas used the previous month. Accounts are primarily collected in the month following use of the gas. No-consumption, and installation fees are recorded in the month the service is rendered and collected. Interest income is paid and recorded on a monthly basis. Interest is accrued as earned on those treasury notes.

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 the next month.

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

C. Budget

The proposed budget for 2003 was presented at the November 26, 2002 board meeting, and adopted at the January 23, 2003 board meeting. The budget is prepared on the accrual basis of accounting, with additional provisions made for bond debt service. The board forwarded a copy of the approved budget to the Washington Parish Council. The board reviews the budget to actual comparison on a monthly basis as a part of their management of the system. The 2003 budget was amended at December 18, 2003. The 2004 budget was presented at the November 21, 2003 board meeting and adopted at the December 18, 2003 meeting.

D. Cash and Cash Equivalents

Cash includes unrestricted amounts in demand deposits, interest bearing demand deposits, and money market accounts. The District includes in cash and cash equivalents, amounts in time deposits and those investments in bank certificates of deposits with original maturity of no more than 90 days.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2000

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. These are classified as investments if their original maturity exceeds 90 days. Investments are stated at their fair market value.

G. Inventories

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

H. Prepaid Items

Prepaid items consist of expenses paid in the current year that cover the operations during part of the next fiscal year.

I. Restricted Assets

The funds included as restricted assets are offset to restricted liabilities.

Bond Reserve and Contingency Funds

The Revenue Bond Reserve Fund and Contingency Fund were established as part of the \$738,808 gas utility revenue bond action 1998 indenture. The Bond Reserve Fund is an investment account (bank savings account) where funds are accumulated (\$191 per month) and held in reserve for payment of bonds and interest when the necessary funds would not be available from operating funds. Maximum amount for the Reserve Fund is one year's payments of interest and principal (\$68,672). The Contingency Fund is an investment account where funds are accumulated (\$233 per month) to pay for any emergency repairs or other contingencies that may arise. There is no maximum balance established for this fund. Accumulation of these funds was to commence upon completion and acceptance of the new distribution line (September 2001).

Customer Meter Deposits

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: large commercial \$150, small retail \$128, renters \$150, and homeowners \$100.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2003

J. Fixed Assets

Fixed assets of the District are included on the statement of net assets 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 over the estimated useful lives as follows:

Gas system	40 years
Gas meters	20 years
Office equipment	10 years
Other equipment	3 years

K. Long-Term Liabilities

Long-term liabilities are recognized on the statement of net assets of the enterprise fund. For the District, this is represented by the balance of bonds due and payable after one year.

L. Net Assets

Net Assets consist of prior year and current year net income retained by the District.

M. Compensated Absence

All employees of the District earn 10 days of vacation leave each year. Vacation leave must be taken following the year earned. However, upon termination or retirement, employees are paid for any unused vacation leave earned during the current year. All employees earn 8 day of sick leave each month during the year. A total of 18 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 as of December 31, 2003.

N. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from these estimates.

O. Cash and Cash Equivalents

At December 31, 2003, the District has unrestricted cash and cash equivalents (bank balances) totaling \$311,298 in demand deposits, and cash on hand.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2003

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 to be 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, 2003, the District deposits (postional bank balances) in Citizens Savings Bank totaled \$162,751. These deposits were secured from risk by \$180,000 of federal deposit insurance, and pledged securities in the amount of \$254,811. The pledged securities are represented by a federal letter of credit, from the Federal Reserve Bank of New Orleans, Louisiana, registered in the name of the pledging bank. Because the pledged security is not registered in the District's name, the deposits are considered un-collateralized (Category 3) under the provisions of GASB Statement Number 3.

3. Restricted Assets

At December 31, 2003, the District had restricted funds as follows:

	Bank Balances	Book Value
Money Deposit Funds:		
Demand deposits	\$ 8,498	\$ 7,871
Interest-bearing demand deposits	17,277	17,277
Time deposits (C. D.s)	22,880	22,880
Reserve and Contingency Funds:		
Interest-bearing demand deposits	20,179	20,179
	\$ 68,734	\$ 67,287

4. Accounts Receivable

Accounts receivable consist of the following account balances at December 31, 2003:

Customer accounts	\$ 89,151
Less allowance for bad debts	(1,298)
Net accounts receivable	\$ 87,853

Washington Parish Gas Utility District No. 1
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2003

5. Unbilled Revenue

Unbilled revenue consists of gas consumed between the final meter reading date in December and December 31, 2003, and not billed to customers until the next month.

6. Bad Debt

Uncollectible amounts due from customers' receivables are recognized as bad debts at the time information becomes available which would indicate the un-collectibility 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.

Allowance account balance 1/01/2003	\$ 18,637
Less current year charge-offs	(23,311)
Current year provision for doubtful accounts	<u>5,200</u>
Allowance account balance 12/31/2003	<u>\$ 1,526</u>

7. Fixed Assets

All fixed assets are stated at historical cost. Following is a summary of the activity in the fixed asset accounts for 2003:

	Beginning Balance	Additions	Deletions	Ending Balance
Gas system	\$ 1,312,324	\$ -	\$ -	\$ 1,312,324
Gas meters	12,448	-	-	12,448
Office equipment	10,817	1,678	-	11,917
Other equipment	40,281	18,008	-	58,289
Storage building	10,231	-	-	10,231
Totals	\$ 1,386,441	\$ 19,678	\$ -	\$ 1,406,119

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

	Cost	Accumulated Depreciation	Net
Gas system	\$ 1,312,324	\$ 876,841	\$ 435,483
Gas meters	12,448	10,476	1,972
Office equipment	11,917	8,172	3,745
Other equipment	58,281	18,083	40,198
Storage building	10,231	1,791	8,440
Totals	\$ 1,406,119	\$ 915,363	\$ 490,756

Depreciation totaling \$52,816 is computed on a straight-line basis for financial statement purposes.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2003

8. USDA Rural Development Bonds

The following is a summary of the long-term liability transactions during the year:

Description	Beginning of Year	Additions	Deletions	End of Year	Due Within One Year
Gas Utility Revenue Bonds series 1998	663,680	-	23,628	663,680	29,718
Total	\$ 663,680	\$ -	\$ 23,628	\$663,680	\$ 29,718

The current balance of \$663,680 of par value Gas Utility Revenue Bonds series 1998 dated June 1, 1999 were issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to their gas utility system and to retire the old bond debt (\$778,126). The funds were advanced over a period from June 1999-October 2000, and totaled \$795,000. The bond debt consists of one bond payable to the USDA, Rural Development. Payments of \$5,816 commenced July 2000, and include interest at the rate of 4.75% per annum payable over twenty years. In addition to the monthly payment of the bonded debt the District is to make monthly payments to a reserve fund (\$111), and a contingency fund (27%), commencing upon date of completion and acceptance of the extension project. Following is a schedule of future debt payments including interest expense of \$273,847 on these bonds:

Year	Principal	Interest	Total
2004	29,779	36,913	66,673
2005	31,284	29,468	60,673
2006	32,779	27,913	60,673
2007	34,287	26,368	60,673
2008	35,973	24,699	60,673
2009 - 2013	207,620	95,248	303,380
2014 - 2018	263,487	39,813	303,360
2019	23,481	956	29,447
Total	\$ 663,680	\$ 273,847	\$ 937,527

9. Litigation and Claims

As of December 31, 2003, the District has been named as defendant in one lawsuit: the bludge lawsuit. The District's attorney has stated that he feels this case does not appear to have any merit; however, the District did not have liability insurance at the time of this claim and they could incur some legal expenses in this case.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Notes to Financial Statements
As of and for the Year Ended December 31, 2003

10. Leases

The District does not have any leases under a capital or operating lease at December 31, 2003.

11. Office/Lease Payments

The Washington Parish Council pays certain operating expenditures of the District. The District's office is located in a building leased by the Council. The Council pays the rent and utilities on the building (office space approximately 89 square feet). These expenditures are not reflected in the accompanying financial statements.

12. Intergovernmental Agreement

The District and the Parish Council signed an intergovernmental cooperative agreement concerning the use of Parish 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 is 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 had 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.

13. Prior Period Adjustment

A prior period adjustment was made to correct the beginning Net Asset balance. The adjustment corrected the allowance for bad debts for the prior fiscal year ending December 31, 2002. The correction to the beginning Net Asset balance is as follows:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/31/02	Net Asset Balance, Before Prior Period Adjustment	\$ 358,127
	Prior Period Adjustments:	
12/31/02	- Correcting Allowance for Bad Debts	8,225
12/31/02	Net Assets Balance, After Prior Period Adjustment	<u>\$ 366,352</u>

SUPPLEMENTAL INFORMATION

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Schedule I

Schedule of Other Operating Expenses
For the Years Ended December 31, 2003 and 2002

	2003	2002
Salaries	\$ 181,158	\$ 74,894
Payroll taxes	7,847	8,807
Accounting services	5,008	6,508
Advertising	1,658	-
Legal fees	498	1,008
Board of Commissioners expense	7,070	8,846
Paying agent fees	-	800
Operating interest	-	68
Insurance	43,868	27,053
Warehouse rent	-	488
Supplies and expense-office	11,975	6,311
Supplies and expense-gas line	28,138	18,887
Repairs and maintenance	4,676	1,665
Meter replacement	-	10,363
Compliance regulation	8,064	-
Leak survey	9,750	-
Telephones	5,688	5,028
Training	1,143	393
Travel	1,683	2,870
Truck expense	8,910	9,188
One-call concept	991	620
Severance taxes	2,707	2,788
Amortization of bond issuance cost	1,047	747
Miscellaneous	5,129	1,121
Total	<u>\$ 298,094</u>	<u>\$ 185,131</u>

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Schedule of Board of Commissioners Compensation
As of and for the Year Ended December 31, 2003

Schedule 2

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 members is presented in compliance with House Concurrent Resolution No. 58 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of R.S. 33:4305.B. (1).

	<u>Regular</u> <u>Meetings</u>	<u>Board Fees</u>	<u>Travel</u>	<u>Total</u>
Will Smith Jr.	15	\$ 1,100	\$ 41	\$ 1,141
Charlie Bowlin	4	100	119	219
George McKenzie	18	1,250	497	1,747
Joe H. Davis	18	1,250	41	1,291
John Stevens	18	1,200	142	1,342
Earl Forrest	25	1,875	798	2,673
Totals		<u>\$ 1,075</u>	<u>\$ 1,639</u>	<u>\$ 2,714</u>

The Commissioners are appointed to the following terms as of January 1, 2003:

Earl Forrest	3 years
Joe Davis	3 years
Will Smith	4 years
George McKenzie	3 years
John Stevens	1 year

Mr. Stevens was re-appointed to the Board on January 5, 2004.

Re-appointments are made each January for the member whose term expires.

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana

Schedule of Gas Rates

For Year Ended December 31, 2000

All residential, commercial, and industrial rates are the same.

\$1.40	Per CCF
\$3.25	First CCF (Minimum Charge)
\$1.40	Any overage are charged at \$1.40

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 1
Summary Schedule of Prior Year Audit Findings

As of and for the Year Ended December 31, 2003

Schedule 3

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 2002-1

Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1974

Description of Finding:

This finding noted a lack of separation of duties of the A/R billings and collections.

Corrective action taken:

The District has standardized the monthly billing process. The board of commissioners reviews and approves all monthly adjustments to customers' accounts, and utilizes an outside CPA to review the monthly accounts receivable reconciliation.

Corrective Action Planned (Response by Management):

Partial. The board of commissioners will continue to monitor the billing process since there are too few personnel to provide adequate segregation of duties.

Reference Number: 2001-1

Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 2000

Description of Finding:

This finding noted that the budget was not amended for the fiscal year ending December 31, 2002.

Corrective action taken:

Fixed. The budget was properly amended for the current fiscal year.

Reference Number: 2002-2

Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1999

Description of Finding:

This finding noted that for prior fiscal years, bad debt write-offs were not removed from the A/R subsidiary ledgers and no bad debts were written off in 2002.

Corrective action taken:

Fixed. Bad debts are written off by the board of commissioners, on no less than an annual basis, and referred to our lawyer for collections.

(Continued)

Washington Parish Gas Utility District No. 2
Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2005

Schedule 2

Section II - Internal Control and Compliance Material to Federal Awards

Section II. Not applicable.

Section III - Management Letter

No Findings for Section III.

(Concluded)

Washington Parish Gas Utility District No. 2
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended December 31, 2000

Schedule 4

Section I - Internal Control and Compliance Material to the Financial Statements

No Findings for Section I.

Section II - Internal Control and Compliance Material to Federal Awards

Section II. Not applicable.

Section III - Management Letter

No Findings for Section III.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the business-type activities and each major of the Washington Parish Gas Utility District No. 2, a component unit of the Washington Parish Council, as of and for the year ended December 31, 2003, which collectively comprise Washington Parish Gas Utility District No. 2's basic financial statements and have issued our report thereon dated June 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Washington Parish Gas Utility District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Summary Schedule of Prior Year Audit Findings as Reference Number 2003-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington Parish Gas Utility District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

BRUCE BARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
a professional accounting corporation

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklin, Louisiana
Page 2

This report is intended solely for the information of management of the Washington Parish Gas Utility District No. 2, the Legislative Auditor, and the USDA Rural Utilities Service, and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 24:112.


Bruce Barrell and Company, CPAs
A Professional Accounting Corporation

June 15, 2004