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Washington Parish Gas Utility
District No. 1
Parish of Washington
Varnado, Louisiana

Accountant's Report
December 31, 2005

Under provisions of state law, this report is a public document. A copy 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 _____

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

**Accountant's Report
December 31, 2005
With Supplemental Information Schedules**

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Accountant's Review Report

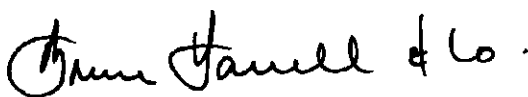
Board of Commissioners
Washington Parish Gas Utility District No. 1
Varnado, Louisiana

We have reviewed the accompanying financial statements of the business-type activities of Washington Parish Gas Utility District No. 1, Louisiana, a component unit of the Washington Parish Council, for the fiscal year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Washington Parish Gas Utility District No. 1.

A review consists primarily of inquiries of District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis, on pages 5 through 11 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.


Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 26, 2006

Management's Discussion and Analysis

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Management's Discussion and Analysis

Introduction

Washington Parish Gas Utility District No. 1 is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards 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 for the year were \$1,480,138 at December 31, 2005, and exceeded liabilities in the amount of \$1,401,631 (i.e., net assets). Of the total net assets, \$1,239,096 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt.
- User fee revenues (gas sales) for the fiscal year ending December 31, 2005 remained relatively constant increasing to \$337,679 as compared to \$275,171 for the fiscal year ending December 31, 2004.
- The District's operating expenses increased by \$76,994 to \$344,562 as compared to \$267,568 for the prior fiscal year. The increase is due primarily to increases in cost of gas sold of \$75,307.
- Interest income for the fiscal year ended December 31, 2005, totaled \$36,711 representing an increase of \$3,518 from the prior fiscal year.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Management's Discussion and Analysis

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the 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. 1's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations 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 revenues and expenses for the fiscal year, and provides information on how net assets changed during the 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 Flows 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 the 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 an 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. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether Washington Parish Gas Utility District No. 1 is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, 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. 1
Parish of Washington, Louisiana

Management's Discussion and Analysis

Condensed Balance Sheet

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Current and Other Assets	\$ 1,317,603	\$ 1,259,297	\$ 58,306	4.63%
Capital Assets (Net)	<u>162,535</u>	<u>171,617</u>	<u>(9,082)</u>	-5.29%
Total Assets	<u>\$ 1,480,138</u>	<u>\$ 1,430,914</u>	<u>\$ 49,224</u>	3.44%
Long-Term Debt Outstanding	-	-	-	-
Other Liabilities	\$ 78,507	\$ 64,630	\$ 13,877	21.47%
Total Liabilities	<u>78,507</u>	<u>64,630</u>	<u>13,877</u>	21.47%
Invested in Capital Assets, Net of Related Debt	162,535	171,617	(9,082)	-5.29%
Unrestricted	<u>1,239,096</u>	<u>1,194,667</u>	<u>44,429</u>	3.72%
Total Net Assets	<u>1,401,631</u>	<u>1,366,284</u>	<u>35,347</u>	2.59%
Total Liabilities and Net Assets	<u>\$ 1,480,138</u>	<u>\$ 1,430,914</u>	<u>\$ 49,224</u>	3.44%

The major components of change for "Current and Other Assets" are a \$55,152 increase in cash and cash equivalents, less overall decreases in other current assets.

"Capital Assets" decreased by \$9,082, reflecting the depreciation recorded on capital assets of \$9,082 for the fiscal year ending December 31, 2005.

"Total Net Assets" (total assets less total liabilities) increased by \$35,347 for the fiscal year ending December 31, 2005, primarily because of the increases to "Current and Other Assets" of \$58,306.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Management's Discussion and Analysis

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

	Year Ended December 31, 2005	Year Ended December 31, 2004	Dollar Change Favorable/ (Unfavorable)	Percent Change Favorable/ (Unfavorable)
Revenues:				
Operating Revenues	\$ 344,801	\$ 291,041	\$ 53,760	18.47%
Nonoperating Revenues	<u>35,108</u>	<u>34,711</u>	<u>397</u>	1.14%
Total Revenues	<u>379,909</u>	<u>325,752</u>	<u>54,157</u>	16.63%
Expenses:				
Gas Purchases	228,049	152,742	(75,307)	(49.30)%
Depreciation Expense	9,082	10,325	1,243	12.04%
Other Operating Expenses	<u>107,431</u>	<u>104,501</u>	<u>(2,930)</u>	(2.80)%
Total Expenses	<u>344,562</u>	<u>267,568</u>	<u>(76,994)</u>	(28.78)%
Income (Loss) Before Contributions	35,347	58,184	(22,837)	(39.25)%
Capital Contributions	-	-	-	
Changes in Net Assets	<u>35,347</u>	<u>58,184</u>	<u>(22,837)</u>	(39.25)%
Beginning Net Assets	1,366,284	1,308,100	58,184	4.45%
Ending Net Assets	<u>\$ 1,401,631</u>	<u>\$ 1,366,284</u>	<u>\$ 35,347</u>	2.59%

While the Balance Sheet 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. The above table gives an indication of how Washington Parish Gas Utility District No. 1 is being conservatively managed. Total "Operating Revenues" (including gas sales and revenues related to providing gas and related services to customers) increased by \$53,760 primarily due to a \$62,508 increase in gas sales. Nonoperating Revenues, consisting primarily of interest income, remained fairly constant, increasing by \$397. Total expenses increased by \$76,994 from the prior fiscal year. "Gas Purchases" increased \$75,307, reflecting an overall increase in natural gas prices. "Depreciation Expense" decreased for fiscal year ending December 31, 2005. For the category of expense most controllable by the District, "Other Operating Expense", there was a \$2,930 increase from the prior year. "Other Operating Expenses" includes expenditures for operations, other than for "Gas Purchases" and "Depreciation Expense". The increase was due primarily to a training increase of \$2,639, billing service increase of \$2,526 less decreases in repairs and maintenance of \$9,567 and travel expense of \$1,598.

The District showed a profit of \$35,347 (change in net assets) for the fiscal year ending December 31, 2005, decreasing by \$22,837 from the change in net assets of \$58,184 for the prior fiscal year, primarily due to the increase in "Gas Purchases" of \$75,307.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Management's Discussion and Analysis

Budgetary Highlights

Washington Parish Gas Utility District No. 1 adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year Ended December 31, 2005

	Budget Year Ended December 31, 2005	Actual Year Ended December 31, 2005	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 345,750	\$ 344,683	\$ (1,067)
Nonoperating	32,500	35,226	2,726
Total Revenues	<u>378,250</u>	<u>379,909</u>	<u>1,659</u>
Operating Expenses:			
Gas Purchases	230,000	228,049	1,951
General and Administrative	101,900	107,431	(5,531)
Depreciation	12,000	9,082	2,918
Total Operating Expenses	<u>343,900</u>	<u>344,562</u>	<u>(662)</u>
Income (Loss)	<u>\$ 34,350</u>	<u>\$ 35,347</u>	<u>\$ 997</u>

There were no significant variations between budgeted and actual.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Management's Discussion and Analysis

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, 2005	December 31, 2004	Increase (Decrease)
Customers:			
Active	420	420	-

One key measure of a gas district's profitability, and the ability to generate positive cash flows, is the ability of the gas system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2005, and 2004.

	Year Ended December 31, 2005	Year Ended December 31, 2004	Increase (Decrease)
0 - 30 Days Past Due	\$ 59,461	\$ 34,522	\$ 24,939
31 - 60 Days Past Due	1,366	2,035	(669)
61 - 90 Days Past Due	-	673	(673)
Over 90 Days Past Due	-	225	(225)
Total Accounts Receivable for Gas (Before Allowance for Bad Debts)	60,827	37,455	23,372
Allowance for Uncollectible Accounts	(3,500)	(3,500)	-
Net Accounts Receivable for Gas	<u>\$ 57,327</u>	<u>\$ 33,955</u>	<u>\$ 23,372</u>

Total receivables for the gas district increased by \$23,372 from the period of December 31, 2004, to December 31, 2005, with decreases in categories over 31 days past due because of write-offs of \$3,457.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Management's Discussion and Analysis

Capital Assets

At the end of the fiscal year ending December 31, 2005, Washington Parish Gas Utility District No. 1 had \$162,535 (net of accumulated depreciation) recorded in capital assets. This includes gas line systems and improvements, investment in gas meters, storage and other equipment, such as office equipment, and maintenance equipment used to operate the gas system. The changes in capital assets are presented in the table below.

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Gas Line System	\$ 467,976	\$ 467,976	-	0.00%
Maintenance Equipment	58,264	58,264	-	0.00%
Office Equipment	5,965	5,965	-	0.00%
Subtotal	<u>532,205</u>	<u>532,205</u>	<u>-</u>	0.48%
Less: Accumulated Depreciation	<u>(369,670)</u>	<u>(360,588)</u>	<u>(9,082)</u>	2.52%
Net Capital Assets	<u>\$ 162,535</u>	<u>\$ 171,617</u>	<u>\$ (9,082)</u>	-5.29%

Future Economic Plans

The Washington Parish Gas Utility District No. 1's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. At present there are no plans for any distribution line expansion. The board's emphasis is on decreasing the cost of gas and collecting receivables. These plans are anticipated to result in lower utility bills for customers. The Board continues to strive for better service for customers.

Financial Statements

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Statement A

Balance Sheet
December 31, 2005 and 2004

Assets	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash and Cash Equivalents	\$ 244,282	\$ 189,130
Investments	963,774	983,054
Accounts Receivable (Net)	57,327	33,955
Other Receivable	-	1,408
Inventory	8,247	8,277
Prepaid Insurance	16,985	17,100
Total Current Assets	<u>1,290,615</u>	<u>1,232,924</u>
Restricted Assets:		
Customer Meter Deposit Fund	<u>26,988</u>	<u>26,373</u>
Total Restricted Assets	<u>26,988</u>	<u>26,373</u>
Property and Equipment		
Gas Line System	467,976	467,976
Maintenance Equipment	58,264	58,264
Office Equipment	<u>5,965</u>	<u>5,965</u>
Total Capital Assets	<u>532,205</u>	<u>532,205</u>
Less: Accumulated Depreciation	<u>-369,670</u>	<u>-360,588</u>
Net Capital Assets	<u>162,535</u>	<u>171,617</u>
Total Assets	<u>\$ 1,480,138</u>	<u>\$ 1,430,914</u>

(Continued)

See accompanying notes and accountant's report.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Statement A

Balance Sheet
December 31, 2005 and 2004

Liabilities and Net Assets	<u>2005</u>	<u>2004</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 50,546	\$ 37,487
Sales Tax Payable	-	109
Payroll Taxes Payable	555	661
Due to Other Governments	418	-
Total Current Liabilities (Payable From Current Assets)	<u>51,519</u>	<u>38,257</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits Payable	<u>26,988</u>	<u>26,373</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>26,988</u>	<u>26,373</u>
Total Liabilities	<u>78,507</u>	<u>64,630</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	162,535	171,617
Unrestricted	<u>1,239,096</u>	<u>1,194,667</u>
Total Net Assets	<u>1,401,631</u>	<u>1,366,284</u>
Total Liabilities and Net Assets	<u>\$ 1,480,138</u>	<u>\$ 1,430,914</u>

(Concluded)

See accompanying notes and accountant's report.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Gas Sales	\$ 337,679	\$ 275,171
Forfeited Discounts	5,400	6,303
Equipment Hire	453	8,072
Installation Fees	1,100	1,495
Other Fees	169	-
Total Operating Revenues	<u>344,801</u>	<u>291,041</u>
Operating Expenses		
Cost of Gas Sold	228,049	152,742
Bad Debt Provision	3,457	-
Depreciation	9,082	10,325
Salaries	20,400	20,400
Secretary	480	520
Payroll Taxes	3,386	1,941
Billing Service	12,955	10,429
Accounting Services	3,750	1,800
Pipeline Privilege	700	709
Board of Commissioners Expense	3,245	3,465
Dues and Subscriptions	50	50
Freight	60	210
Insurance	38,660	37,153
Supplies and Expense - Office	764	391
Supplies and Expense - Gas Line	4,070	3,306
Repairs and Maintenance	659	10,226
Mapping	27	-
Annual Compilation Report	2,700	2,700
Training	3,139	500
Postage	1,204	1,528
Travel Expense	4,739	6,337
Telephone	1,651	2,259
Utility	-	558
Taxes and Licenses	611	14
Miscellaneous Labor	120	-
Miscellaneous Expense	604	5
Total Operating Expenses	<u>344,562</u>	<u>267,568</u>
Operating Income (Loss)	<u>239</u>	<u>23,473</u>

(Continued)

See accompanying notes and accountant's report.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Statement B

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2005 and 2004**

	2005	2004
Nonoperating Revenues (Expenses)		
Interest Income	\$ 36,711	\$ 33,193
Increase (Decrease) in market value of investment	(1,603)	1,518
Total Nonoperating Revenues (Expenses)	35,108	34,711
 Income (Loss) Before		
Contributions	35,347	58,184
Contributions	-	-
Change in Net Assets	35,347	58,184
Net Assets, Beginning of Year	1,366,284	1,308,100
Net Assets, End of Year	\$ 1,401,631	\$ 1,366,284

(Concluded)

See accompanying notes and accountant's report.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Statement C

**Statement of Cash Flows
Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 322,313	\$ 302,666
Other Receipts of Income	453	8,072
Cash Payments for Goods and Services	(291,595)	(231,583)
Cash Payments for Employees	(27,138)	(19,912)
Net Cash Provided by Operating Activities	<u>4,033</u>	<u>59,243</u>
 Cash Flows From Capital and Related Financing Activities		
Investment Income Transferred from Investments	36,311	33,193
Transfer of Funds to Investments	15,423	(147,728)
Purchase of Equipment	-	(2,528)
Net Cash Used by Capital and Related Financing Activities	<u>51,734</u>	<u>(117,063)</u>
 Net Change in Cash and Cash Equivalents	 55,767	 (57,820)
Cash and Cash Equivalents - Beginning of Year	<u>215,503</u>	<u>273,323</u>
Cash and Cash Equivalents - End of Year	<u>\$ 271,270</u>	<u>\$ 215,503</u>
 Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	\$ 244,282	\$ 189,130
Customer Meter Deposit Fund	26,988	26,373
	<u>\$ 271,270</u>	<u>\$ 215,503</u>

(Continued)

See accompanying notes and accountant's report.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Statement C

Statement of Cash Flows
Years Ended December 31, 2005 and 2004

Reconciliation of Operating Income to Net Cash Flows From Operating Activities

	<u>2005</u>	<u>2004</u>
Operating Income (Loss)	\$ 239	\$ 23,473
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:		
Depreciation Expense	9,081	10,325
Bad Debt Expense	3,457	-
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	(23,372)	19,375
Decrease (Increase) in Other Receivable	1,408	(1,408)
Decrease (Increase) in Inventory	30	1,049
Decrease (Increase) in Prepaid Insurance	115	(1,735)
Decrease (Increase) in Meter Deposit	(615)	322
Increase (Decrease) in Due to Other Governments	418	-
Increase (Decrease) in Accounts Payable	13,057	7,719
Increase (Decrease) in Accrued Expenses	215	123
Net Cash Provided by Operating Activities	<u>\$ 4,033</u>	<u>\$ 59,243</u>

(Concluded)

See accompanying notes and accountant's report.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Notes to the Financial Statements
Year Ended December 31, 2005

Introduction

Washington Parish Gas Utility District No. 1 was established June 12, 1962, by the Washington Parish Police Jury, under provisions authorized by LRS 33:430. The purpose of the District was to build and maintain a natural gas distribution system for the rural area in the northeastern part of Washington Parish. The system serves approximately 420 customers over 170 miles of distribution lines. The system is operated and maintained on a contractual basis by the Varnado Water District. The Water District provides employees for billing, collecting, and general operation of the system. The Gas District has one employee, hired for maintenance purposes.

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

1. 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 those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance 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.

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.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Notes to the Financial Statements
Year Ended December 31, 2005

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. 1 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.

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 District uses the following practices in recording certain revenue 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. Re-connect fees, 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.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Notes to the Financial Statements
Year Ended December 31, 2005

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.

E. Budget

The proposed budget for 2005 was adopted at the November 23, 2004 board meeting. The budget is prepared on the accrual basis of accounting. The board forwarded a copy of the approved budget to the Washington Parish Council. The board reviewed the budget to actual comparison on a monthly basis as a part of their management of the system, and has adopted the 2006 budget.

F. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. Inventories

Inventories consist of various maintenance supplies and are recorded as an expense when consumed, but inventories at fiscal year end are valued at lower of cost or market and are recorded using the first-in first-out method.

H. Prepaid Items

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

I. Restricted Assets

Money received for utility deposits paid by new customers is held at Hibernia National Bank, Bogalusa, 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: rental \$100, homeowner \$60.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Notes to the Financial Statements
Year Ended December 31, 2005

J. Capital Assets

Fixed assets of the District are included in 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:

Office Equipment	5 years
Other Equipment	8 years
Gas System	30 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

K. Compensated Absences

All employees of the District earn from 14 to 28 days of vacation leave each year, depending on the length of service. Vacation leave must be taken during the year earned. However, upon termination or retirement, employees are paid for any unused vacation leave earned during the current year. All employees earn 6 days of sick leave each year. A total of 45 days of sick leave can be accumulated. All accumulated sick leave lapses upon termination. There were no accumulated and vested leave benefits required to be reported, in accordance with GASB Statement #16, as of December 31, 2005.

L. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Notes to the Financial Statements
Year Ended December 31, 2005

M. 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 those estimates.

2. Cash and Cash Equivalents

At December 31, 2005, the District had cash and cash equivalents (book balances) totaling as follows:

	<u>2005</u>
Demand Deposit Accounts	\$ 140,184
Time and Savings Accounts	84,711
Money market accounts (Legg Mason Investment)	46,375
Total Cash and Cash Equivalents	<u>\$ 271,270</u>

These deposits are stated at cost, which approximates fair value. 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, 2005, the Commission has \$274,489 in deposits (collected bank balances). Of the total of \$274,489, \$100,000 is secured from risk by federal deposit insurance and \$174,489 of securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The balance of the cash equivalents of \$46,375 consists of cash held in a Legg Mason investment account. Because the investments in the Legg Masson account are held by its agent, the investment account as described in Footnote "3" below, are considered insured and registered, Category 1, in applying the credit risk classification of GASB Codification Section I50.164.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

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

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

**Notes to the Financial Statements
Year Ended December 31, 2005**

All investments held by the Commission fall into category 1 credit risk, defined as: insured or registered, or securities held by the Commission or its agent in the Commission's name. In accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair value, with the estimate of fair value based on quoted market prices. At December 31, 2005, the Commission's investment balances are as follows:

	Carrying Amount	Fair Value
Certificates of Deposits	\$ 785,317	\$ 785,317
Legg Mason Securities -FHLMCs, FNMA's, and Treasury Notes	178,427	178,427
	\$ 963,744	\$ 963,744

These deposits are stated at cost which approximates market value. The certificates of deposits totaling \$785,347 are invested in five separate banks. The certificate of deposit of \$4,000 in Parish National Bank and the certificate of deposit of \$95,000 in Whitney National Bank are secured from risk by federal deposit insurance. Certificates of Deposit totaling \$108,546 in Hibernia Bank are secured by \$108,546 of securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Certificates of Deposit totaling \$164,301 in Central Progressive Bank are secured by \$100,000 of federal deposit insurance and \$64,301 of securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The Certificates of Deposit at Citizens Savings Bank are secured by \$100,000 of federal deposit insurance and \$313,500 is secured by an Irrevocable Letter of Credit pledged in the name of the District by Federal Home Loan Bank of Dallas (GASB Category 1).

The mortgage certificates and treasury notes are in the name of the District (book entry only) and are held by Legg Mason Securities. Because the mortgage certificates are in the name of the District and are held by its agent, the mortgage certificates are considered insured and registered, GASB Category 1, in applying the credit risk of GASB Codification Section 150.164.

4. Receivables

The following is a summary of customer receivables at December 31, 2005:

	Customer Receivables
Gross Receivables	\$ 60,827
Less: Allowance for Uncollectible Accounts	(3,500)
Net Accounts Receivable	\$ 57,327

Uncollectible amounts due from customers' receivables are recognized as bad debts at the time information becomes available indicating the uncollectibility of the particular receivable. The bad debts are charged off against an allowance account. Management feels the estimate for the bad debt allowance is sufficient to cover any bad debts recorded during 2005.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

**Notes to the Financial Statements
Year Ended December 31, 2005**

5. Restricted Assets

At December 31, 2005, the District had restricted funds (book balances) as follows:

	December 31, 2004
Meter Deposit Funds:	
Investments - Certificates of Deposit	\$ 22,988
Time Deposits	4,000
Total Restricted Assets	\$ 26,988

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2005 is as follows:

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Gas line system	\$ 467,977	-	\$ -	\$ 467,977
Office equipment	3,665	-	-	3,665
Procedures manual	2,300	-	-	2,300
Maintenance equipment	58,264	-	-	58,264
Total Capital Assets	532,206	0	-	532,206
Less: Accumulated Depreciation	(360,589)	(9,082)	-	(369,671)
Net Capital Assets	\$ 171,617	\$ (9,082)	\$ -	\$ 162,535

Depreciation of \$9,082 was charged on gas utility system assets for the fiscal year ending December 31, 2005.

7. Long-term Debt

The District did not have any long-term liabilities as of December 31, 2005.

8. Intergovernmental Agreement

The District entered into a service agreement with the Varnado Waterworks District. The Varnado Waterworks District will perform all necessary functions involving meter reading, billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records, for the District. The fee for this service will be based on the operating cost of the Varnado Waterworks District. A rate per customer per month will be calculated annually and paid each month.

The District will be billed separately for any repair and maintenance provided by the Varnado Waterworks District. Accurate hourly records of personnel records involved in repairs shall be kept and Washington Parish Gas Utility District No. 1 will be billed monthly at twice the Varnado Waterworks District employees' hourly rate. All materials, parts and supplies will be paid directly by the District incurring the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the District 35 cents per mile for work done on their system. Annually, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, so Washington Parish Gas Utility District No. 1 pays its portion of the actual costs.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

**Notes to the Financial Statements
Year Ended December 31, 2005**

9. Litigation and Claims

At December 31, 2005, there were no litigations or claims against the District.

Supplementary Information

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Schedule 1

Budgetary Comparison Schedule
Year Ended December 31, 2005
(With Comparative Amounts for the Fiscal Year Ended December 31, 2004)

	2005 <u>Budget</u>	2005 <u>Actual</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
Operating Revenues				
Gas Sales	\$ 340,000	\$ 340,523	\$ 523	\$ 277,111
Forfeited Discounts	7,000	5,400	(1,600)	6,303
Equipment Hire	450	453	3	8,072
Installation Fees	650	1,100	450	1,495
Adjustment/Overread Meters	(2,500)	(2,843)	(343)	(1,940)
Other Income	150	50	(100)	-
Total Operating Revenues	<u>345,750</u>	<u>344,683</u>	<u>(1,067)</u>	<u>291,041</u>
Operating Expenses				
Gas Purchases	230,000	228,049	1,951	152,742
Bad Debt Provision	-	3,457	(3,457)	-
General and Administrative	101,900	103,974	(2,074)	104,501
Depreciation Expense	12,000	9,082	2,918	10,325
Total Operating Expense	<u>343,900</u>	<u>344,562</u>	<u>(662)</u>	<u>267,568</u>
Operating Income	<u>1,850</u>	<u>121</u>	<u>(1,729)</u>	<u>23,473</u>
Nonoperating Revenues (Expenses)				
Interest Income	34,000	36,711	2,711	33,193
Bad Debt	100	118	18	-
Increase (Decrease) in Investments	(1,600)	(1,603)	(3)	1,518
Total Non-Operating Revenue (Expenses)	<u>32,500</u>	<u>35,226</u>	<u>2,726</u>	<u>34,711</u>
Income (Loss) Before				
Prior Period Adjustments	34,350	35,347	997	58,184
Prior Period Adjustments	-	-	-	-
Change in Net Assets	<u>34,350</u>	<u>35,347</u>	<u>997</u>	<u>58,184</u>
Net Assets, Beginning of Year	<u>1,366,284</u>	<u>1,366,284</u>	<u>-</u>	<u>1,308,100</u>
Net Assets, End of Year	<u>\$ 1,400,634</u>	<u>\$ 1,401,631</u>	<u>\$ 997</u>	<u>\$ 1,366,284</u>

(Concluded)
See accountant's report.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Schedule 2

Schedule of General and Administrative Expenses
Years Ended December 31, 2005

	<u>2005</u>	<u>2004</u>	<u>Variance-</u>
	<u>Actual</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
General and Administrative Expenses			
Salaries	\$ 20,400	\$ 20,400	\$ -
Secretary Salary	480	520	(40)
Payroll Taxes	3,386	1,941	1,445
Billing Service	12,955	10,429	2,526
Accounting Services	3,750	1,800	1,950
Pipeline Privilege	700	709	(9)
Board of Commissioners Expense	3,245	3,465	(220)
Dues and Subscriptions	50	50	-
Freight	60	210	(150)
Insurance	38,660	37,153	1,507
Supplies and Expense - Office	764	391	373
Supplies and Expense - Gas Lines	4,070	3,306	764
Repairs and Maintenance	659	10,226	(9,567)
Mapping	27	-	27
Annual Compilation Report	2,700	2,700	-
Training	3,139	500	2,639
Postage	1,204	1,528	(324)
Travel Expense	4,739	6,337	(1,598)
Telephone	1,651	2,259	(608)
Utility	-	558	(558)
Taxes and Licenses	611	14	597
Miscellaneous Labor	120	-	120
Miscellaneous Expense	604	5	599
Total General and Administrative Expenses	<u>\$ 103,974</u>	<u>\$ 104,501</u>	<u>\$ (527)</u>

(Concluded)
See accountant's report.

Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana

Schedule 3

Schedule of Insurance Coverages
December 31, 2005

<u>Insurance Company</u>	<u>Coverage</u>	<u>Effective Date</u>	<u>Expiration Date</u>
American Empire Surplus 4EP06091	Commercial General Liability \$1,000,000 CSL occurrence \$2,000,000 CSL per policy \$1,000,000 personal & advertising injury	06/11/05	6/11/06

See accountant's report.

**Washington Parish Gas Utility District No. 1
Parish of Washington, Louisiana**

Schedule 4

**Schedule of Compensation Paid Board of Commissioners
December 31, 2005**

<u>Board of Commissioners</u>	<u>Compensation</u>	<u>Term Expiration</u>
Hayward Boone, President 60921 Seal Road Angie, LA 70426 (985) 732-7660	\$ 605	December 31, 2008
Leo Mitchell, Secretary 23250 Hwy 21 Bogalusa, LA 70427 (985) 732-7904	605	December 31, 2009
Stanley Seal, Vice President 25246 Military Road Angie, LA 70426 (985) 732-3125	715	December 31, 2005
Gary Pierce 61034 Dollar Road Angie, LA 70426 (985) 732-3901	550	December 31, 2006
Huey Bickham 30451 Johnny Will Jones Road Angie, LA 70426 (985) 986-3770	770	December 31, 2007
	<u>\$ 3,245</u>	

See accountant's report.

Bruce C. Harrell, CPA

Dale H. Jones, CPA

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Washington Parish Gas Utility District No. 1
Varnado, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Washington Parish Gas Utility District No. 1 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the fiscal year ended December 31, 2005, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures for fiscal year ended December 31, 2005 that were subject to the bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. We were also provided with a copy of the amended budget for the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes which indicated that the budget had been adopted by the commissioners. Amendments were made to the budget during the year and had also been adopted by the commissioners.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 % or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%. The District operates under an Enterprise Fund and is not subject to the provisions of the law for General and Special Revenue funds.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

(a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

(b) determine if payments were properly coded to the correct fund and general ledger account; and

We noted no exceptions.

(c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant and the chairman of the Board of Commissioners. In addition, each of the disbursements were traced to the district's minute book where they were approved by the full commission.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The District is only required to post a notice of each meeting and the accompanying agenda on the door of the District's office building. We noted a copy of the notice was posted as required.

(Continued)

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.
The District has no debt.

Advances and Bonuses

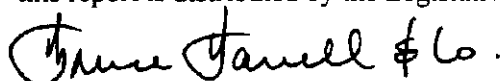
11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

A reading of the minutes of the District and transactions reviewed for the year indicated no payments to employees which would constitute bonuses, advances, or gifts.

The prior year report did not include any comments or unresolved matters.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Washington Parish Gas Utility District No 1 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 26, 2006

(Concluded)