

**GAS UTILITY DISTRICT NO. 2 OF
EAST FELICIANA PARISH
ETHEL, LOUISIANA**

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED
AUGUST 31, 2023**

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 BASIC FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
 YEAR END AUGUST 31, 2023
 TABLE OF CONTENTS

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
 BASIC FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Net Position	9
Statement of Cash Flows	10-11
 Notes to the Financial Statements	 12-18
 SUPPLEMENTAL INFORMATION	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	19
Schedule of Compensation Paid to Governing Members	20
Schedule of Statistical Data	21
 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	 22-23
 Schedule of Findings and Responses	 24-27
 Communications	 27
 AGREED-UPON PROCEDURES	
Independent Accountant's Report on Applying Agreed-Upon Procedures	28-41

MC DUFFIE K. HERROD, LTD.{PRIVATE }
(A Professional Accounting Corporation)

McDUFFIE K. HERROD
CERTIFIED PUBLIC ACCOUNTANT

Member:

American Institute of CPAs
Society of Louisiana CPAs

POST OFFICE BOX 8436
12410 WOODVILLE ST.
CLINTON, LA 70722
Telephone (225) 683-3888
Facsimile (225) 683-6733
Email mkherrod@bellsouth.net

Independent Auditor's Report

Michael Bradford and Board Members of the
Gas Utility District No. 2 of East Feliciana Parish
5449 Highway 19
Ethel, Louisiana 70730

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Gas Utility District No. 2 of East Feliciana Parish (Gas District), a component unit of East Feliciana Parish, Louisiana, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Gas District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Gas District as of August 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis or Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gas District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gas District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

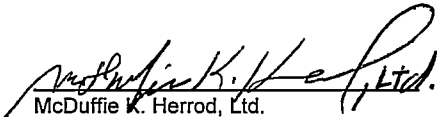
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gas District's basic financial statements. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The other supplemental information schedules listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2024, on our consideration of the Gas District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gas District's internal control over financial reporting and compliance.


McDuffie K. Herrod, Ltd.
A Professional Accounting Corporation
February 23, 2024

**REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS**

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2023

Management's Discussion and Analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34. Its purpose is to provide an overview of the financial activities of the District based on currently known facts, decisions and/or conditions. It should be read in conjunction with the financial report taken as a whole.

FINANCIAL HIGHLIGHTS

- The Gas District's assets exceeded its liabilities by \$1,387,101.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

The financial statements are comprised of these components - (1) management's discussion and analysis, (2) fund financial statements, (3) notes to the financial statements and (4) supplementary information.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Gas District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Gas District has one category of funds: proprietary funds.

Proprietary Fund. The Gas District maintains only one type of proprietary fund - enterprise fund.

Enterprise Funds are used to report the functions financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The Gas District uses an enterprise fund to account for gas services provided to customers within its boundaries.

Statements include the following:

Statement of Net Position. This statement presents information on all of the Gas District's assets, deferred outflows of resources, liabilities and inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or not.

Statements of Revenues, Expenses, and Changes in Net Position. This statement presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the District's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

The fund financial statements can be found on pages 8-11 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2023

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Gas District's activity such as compensation paid to agency head and board members.

Other Information. Additionally, this report also presents certain other information that is deemed helpful to the users of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position is an indicator of the District's financial position from year to year. A summary of net position follows.

**SUMMARY OF NET POSITION
Business-type Activities**

	2023	2022
Assets		
Current assets	\$ 966,567	\$ 752,852
Investments (unrestricted portion)	137,274	147,727
Restricted assets	216,529	200,064
Capital assets, net	303,373	337,639
Other assets	4,854	3,959
Total assets	1,628,597	1,442,241
Liabilities		
Current liabilities	161,370	153,392
Non-current liabilities	80,126	82,755
Total liabilities	241,496	236,147
Net Position		
Net investment in capital assets	303,373	337,639
Restricted – assigned	216,529	200,064
Unrestricted	867,199	668,391
Net Position	\$ 1,387,101	\$ 1,206,094

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2023

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION
Business-type Activities

	2023	2022
Revenues		
Operating	\$ 906,893	\$ 951,779
Non-operating	11,197	30,602
Total Revenues	918,090	982,381
Expenditures		
Operating	735,910	842,090
Non-operating	1,173	1,186
Total Expenditures	737,083	843,276
Change in net position	181,007	139,105
Net position, beginning - as restated	1,206,094	1,066,989
Net position, ending	\$ 1,387,101	\$ 1,206,094

Cash flow activity of the District for the past two years is as follows:

SUMMARY OF CASH FLOWS

	2023	2022
Cash and cash equivalents provided by (used for)		
Operating activities	\$190,279	\$168,360
Non-capital financial activities	0	0
Capital and related financing activities	(4,593)	(14,469)
Investing activities	11,197	481
Net change in cash and cash equivalents	196,883	154,372)
Cash and cash equivalents, beginning of year	703,964	549,592
Cash and cash equivalents, end of year	\$900,847	\$703,964

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets, net of accumulated depreciation and related debt at August 31, 2023 and 2022, was \$303,373 and \$337,639, respectively. There were no capital expenditures added in the current year.

Capital assets at year-end are summarized as follows:

Capital Assets		
Net of Accumulated Depreciation		
Non-depreciable Assets	<u>2022</u>	<u>2021</u>
Land	\$ 31,000	\$ 31,000
Depreciable Assets		
Gas distribution system	186,474	202,003
Furniture office equipment	0	0
Machinery & equipment	3,324	3,324
Vehicle	42,607	58,585
Building and Improvements	<u>39,968</u>	<u>42,727</u>
Capital Assets Net	<u>\$ 303,373</u>	<u>\$ 337,639</u>

Debt Administration: The Gas District secured a loan in the amount of \$100,000 from Landmark Bank in August 2017. The proceeds are being used to extend service to Linwood Estates.

REQUEST FOR INFORMATION:

This financial report is designed to provide a general overview of the Gas District's finances, comply with finance-related laws and regulations, and demonstrate the Gas District's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting Vicki Stalnaker, Gas Utility District No. 2 of East Feliciana Parish, P.O. Box 9, Clinton, Louisiana 70722 or 225-683-9416.

FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

GAS UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION
August 31, 2023

	Business-Type Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 900,847
Investments	137,274
Receivables, net	44,526
Inventory	4,839
Prepaid Expenses	21,194
Capital assets, net	303,373
Restricted assets:	
Investments	216,529
Other Assets	
Deposits	15
Total Assets	1,628,597
 LIABILITIES	
Current Liabilities:	
Accounts payable	4,736
Payroll related withholdings and related payables	20,232
Customer deposits	118,229
Customer prepayments	15,206
Note Payable - current portion	2,967
Total Current Liabilities	161,370
 Non-Current Liabilities:	
Note Payable - long term portion	80,126
Total Non-Current Liabilities	80,126
Total Liabilities	241,496
 NET POSITION	
Net investment in capital assets	303,373
Restricted - assigned	216,529
Unrestricted	867,199
Net Position	\$ 1,387,101

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2023

	Business-Type Activities
OPERATING REVENUES	
Charges for services	
Gas Sales	\$ 886,447
Reconnection charges	140
Tap fees	8,400
Miscellaneous refunds / reimbursements	11,906
Total Operating Revenue	906,893
 OPERATING EXPENSES	
Administrative	\$ 71,734
Depreciation	34,266
Employee and related expenses	308,851
Occupancy	2,851
Gas purchases	143,449
Personal services	174,759
Total Operating Expenses	735,910
 Operating Income/(Loss)	 \$ 170,983
 NON-OPERATING REVENUES (EXPENSES)	
Interest earned	\$ 11,197
Interest expense	(1,173)
Total Non-Operating Revenues (Expenses)	10,024
 Change in Net Position	 181,007
Net Position, Beginning	1,206,094
Net Position, ending	\$ 1,387,101

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers/grantors	\$ 892,401
Cash paid to suppliers for goods/services	(391,138)
Cash paid to employees for services	(310,984)
Net Cash Provided/(Used) by Operating Activities	190,279
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Customer prepayments	
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Notes	(4,593)
Gas Distribution System Additions	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(4,593)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from savings/certificates of deposit	11,197
Net Cash Provided by Investing Activities	11,197
Net Decrease in Cash and Cash Equivalents	196,883
Cash and Cash Equivalents, beginning of year	703,964
Cash and Cash Equivalents, end of year	\$ 900,847

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Business-Type Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	181,007
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	34,266
(Increase) decrease in assets:	
Accounts & other receivables	(14,492)
Inventory	(895)
Prepaid expenses	(2,340)
Increase (decrease) in liabilities:	
Accounts payable	(8,983)
Payroll related payables	(2,133)
Customer deposits	3,849
Net Cash Provided/(Used) by Operating Activities	190,279

Cash Presentation on Statement of Net Assets:

Current Assets: Cash and cash equivalents	900,847
---	---------

See Accompanying Notes and Independent Auditor's Report

NOTES TO FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

INTRODUCTION

The Gas Utility District No. 2 of East Feliciana Parish (hereinafter referred to as the Gas District), located in Ethel, Louisiana, was created by the East Feliciana Parish Police Jury as allowed under Louisiana R.S. 33:4301 in 1970. It operated under a president-board form of government whose appointments are made by the East Feliciana Parish Police Jury. The Gas District was created to provide gas services to the citizens of East Feliciana Parish residing within the boundaries of the Gas District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accounting and reporting practice of the Gas District conforms to governmental accounting principles generally accepted in the United States of America. Such accounting and reporting procedures also conform to the requirements of La. Revised Statute 24:513 and to the guidelines set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

Financial Reporting Entity: Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the East Feliciana Parish Police Jury is the reporting entity for East Feliciana Parish. The Gas District is considered a component unit of the East Feliciana Parish Police Jury because the Police Jury appoints a voting majority of the Gas District's governing body and its services are rendered within the Police Jury's boundaries. The accompanying financial statements present information only on the fund(s) maintained by the Gas District and do not present information on the Police Jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Fund Accounting: The Gas District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the Gas District are classified into one category: proprietary. This fund classification is described below.

Proprietary Fund: Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds of the Gas District include:

1. Enterprise Fund - account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Basis of Accounting/Measurement Focus: In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification, and subsequent GASB pronouncements, is recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The type of financial statement presentation determines the accounting and financial reporting treatment applied to a fund.

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of governmental-type and business-type activities are included in the statement of net position. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the statement of activities. In these statements, capital assets are reported and depreciated in each fund, and long-term debt is reported.

The fund statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. Principal and interest paid on long-term debt is reported as current expenses.

Budgets: The Gas District adopts an annual budget. It is prepared in accordance with the basis of accounting utilized by that fund. It is published and made available for public inspection prior to the start of the fiscal year. Appropriations lapse at year-end. The Board of Directors must approve any revisions that alter the total expenditures. Budgeted amounts shown are as originally adopted and as amended, if applicable, by the Board. Budget amendments are passed on an as-needed basis. A balanced budget is required.

Cash and Cash Equivalents: Cash includes amounts in demand deposits, interest bearing demand deposits and money market savings. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Gas 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.

Investments: Investments are limited by La. Revised Statute 49:327. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value, based on quoted market prices, with the corresponding increase or decrease reported in investment earnings.

Inventory: Inventory of the Gas District includes various supplies and parts used to maintain its gas distribution system. It is recorded at lower of cost or market utilizing the average cost valuation. Gas in the Gas District's lines is expensed when purchased. The amount remaining in the lines at any given time is not material to the accompanying financial statements and, therefore, not included in inventory.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Receivables: The Gas District has a policy of recognizing bad debt on gas billings at the time information becomes available that indicates the bill is uncollectible. At the time an account is disconnected for nonpayment, the Gas District continues to send bills to the customer as long as there is a valid address. At the end of the year, the allowance for the uncollectible accounts is adjusted to reflect an estimated amount of the final accounts that the Gas District expects to write-off.

Prepaid Expenses: Prepaid expenses include payments for insurance coverage with expiration dates extending beyond August 31, 2023, which was \$21,194 at year-end.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets: Certain proceeds are classified as restricted assets on the statement of net assets because their use is limited. Components of these assets for governmental activities include public safety. Components for business-type activities include customer deposits.

Capital Assets: The Gas District's assets are recorded at cost and do not purport to represent replacement or realizable values. The cost of depreciable property is charged to earnings over the estimated useful life of the asset. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for renewals and betterments are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

Depreciation is recorded using the straight-line method over the useful lives of the assets as follows: buildings -40 years; equipment -4-10 years; furniture - 5-7 years; vehicles -7-10 years and infrastructure -40-50 years.

Compensated Absences: Vested or accumulated vacation leave is recorded as both a fund liability and operating expense in the year earned. In accordance with the provisions of Statement of Financial Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulated rights to received sick pay benefits or vacation leave.

Long-Term Obligations: In the government-wide financial statements, debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the statement of net position. In the fund financial statements of governmental activities, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Equity: In the statement of net position, the difference between a government's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Net Investment in Capital Assets

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2023

Restricted Net Position

Net position that is reserved by external sources such as banks or by law are reported separately as restricted net position. When assets are required to be retained in perpetuity, the resulting non-expendable net position are recorded separately from expendable net position. These are components of restricted net position.

Unrestricted Net Position

This category represents net position not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits are stated at cost, which approximates market. Under state law, they 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 mutually acceptable to both parties.

Even though pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, La. 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 that the fiscal agent has failed to pay deposited funds upon demand.

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The Gas District had balances in checking and certificates of deposit (reported as investments) located at one bank totaling \$1,039,986 as of August 31, 2023. In addition to the FDIC insurance coverage, bank-owned securities are pledged to cover any potential loss of funds in excess of the FDIC insured limit. Therefore, the total of the bank balances at year-end were fully covered against potential losses.

A summary of cash and cash equivalents (book balances) at August 31, 2023, of which none is restricted, is as follows:

	Business- type Activities
Demand deposits	\$ 14,092
Interest-bearing demand deposits	<u>886,755</u>
Total	<u>\$ 900,847</u>

NOTE 3 - INVESTMENTS

The Gas District requires a customer deposit upon initial opening of an account for use of the Gas District owned gas meter at each residence or business. The Gas District must hold the deposit until the customer's account is closed, at which time the deposit is returned to the customer.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Investments consist of certificates of deposits. Included are amounts restricted for customer deposits and security on a bank loan.

A summary of investments held at August 31, 2023, is as follows:

Restricted Portion	\$ 216,529
Unrestricted Portion	<u>137,274</u>
Total Investments	<u>\$ 353,803</u>

NOTE 4 -CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets, not being depreciated				
Land	\$ 31,000	0	0	\$ 31,000
Capital Assets, being depreciated				
Gas Distribution System	1,252,062	0	0	1,252,062
Less accumulated depreciation	(1,050,059)	(15,529)	0	(1,065,588)
Net Gas Distribution System	202,003	(15,529)	0	186,474
Furniture / office equipment	31,160	0	0	31,160
Less accumulated depreciation	(31,160)	0	0	(31,160)
Net Furniture / office equipment	0	0	0	0
Machinery & equipment	67,626	0	0	67,626
Less accumulated depreciation	(64,302)	0	0	(64,302)
Net Machinery & equipment	3,324	0	0	3,324
Vehicles	142,725		0	142,725
Less accumulated depreciation	(84,140)	(15,978)	0	(100,118)
Net Vehicles	58,585	(15,978)	0	42,607
Building and improvements	115,466	0	0	115,466
Less accumulated depreciation	(72,739)	(2,759)	0	(75,498)
Net Building and improvements	42,727	(2,759)	0	39,968
Capital Assets, being depreciated, net	306,639	(34,266)	0	272,373
Capital Assets, net	\$337,639	(34,266)	0	\$303,373

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2023

NOTE 5 -ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables and obligations at August 31, 2023:

Accounts payable	\$ 4,736
Payroll / withholdings	20,232
Customer deposits	118,229
Customer prepayments	15,206
Notes Payable, short term portion	2,967
Notes Payable, long term portion	<u>80,126</u>
Total	<u>\$ 241,496</u>

NOTE 6 - LONG-TERM OBLIGATIONS

In August, 2017, the Gas District secured a loan through Landmark Bank to extend service to Linwood Estates. The interest rate is variable based on the current rates of the certificates of deposit that secure the loan. The Gas District intends to pay-off the obligation early. The principal portion of the note for the life of the loan is as follows:

<u>Fiscal Year Ending</u>	<u>Balance</u>
08/31/24 Current portion	\$2,968
08/31/25	3,008
08/31/26	3,049
08/31/27	3,090
08/31/28	3,132
08/31/29-'33	16,312
08/31/34-'38	17,447
08/31/39-'43	18,664
08/31/44-'47	<u>15,423</u>
Total	<u>\$83,093</u>

NOTE 7 -RESTRICTED NET POSITION

The following is a summary of restricted net position at August 31, 2023:

	Business - Type Activities
Restricted for:	
Short term portion of note payable	\$ 2,967
Long term portion of note payable	80,126
Customer prepayments	15,206
Customer deposits	<u>118,230</u>
Total Restricted	<u>\$ 216,529</u>

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 8 - LEASES

No lease obligations existed at August 31, 2023.

NOTE 9 -RETIREMENT SYSTEM

The Gas District established a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(b) for employees who meet the eligibility requirements set forth in the plan. Employer contributions are determined as a percent of compensation paid each year to eligible participants. The employer contributions for 2023 and 2022 were \$9,049 and \$8,382, respectively. An independent plan administrator administers the plan through administrative service agreements. All amounts of compensation deferred under the plan, all property or rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property of the Gas District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Gas District's general creditors. Participants' rights under the plan are equal to those of general creditors of the Gas District in an amount equal to the fair market value of the deferred amount for each participant.

NOTE 10 – VACATION AND SICK LEAVE

The Gas District's employees earn vacation time at varying rates based on their years of service following their initial 90 days of employment. They may carry up to 40 hours of unused vacation time into the subsequent period and may elect to be paid up to 50% of their unused vacation time in excess of 40 hours at year-end. Any balance remaining upon termination may be paid at the discretion of the Board. Employees earn 1 day per month in sick leave and may accrue this leave without limitation. Unused sick leave is not paid upon termination.

There was \$16,747 in accrued vacation leave earned at August 31, 2023.

NOTE 11- OTHER POST-EMPLOYMENT BENEFITS

The Gas District does not provide any post-employment benefits to its employees.

NOTE 12 -RELATED PARTY TRANSACTIONS

There were no related party transactions that require disclosure.

NOTE 13 - LITIGATION

There is no litigation that would require disclosure in the accompanying financial statements.

NOTE 14 -SUBSEQUENT EVENTS

There have been no transactions or events subsequent to year end through February 23, 2024, the date on which the financial statements were available to be issued that would materially impact the accompanying financial statements.

SUPPLEMENTAL INFORMATION

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 Clinton, Louisiana
 Schedule of Compensation, Benefits, and
 Other Payments to Agency Head
 For the Year Ended August 31, 2023

In accordance with Act 462 of 2015, which amends Act 706 of the 2014 Legislative Session,
 the following Schedule of Compensation, Benefits, and Other Payments to Agency Head is
 presented.

Michael Bradford, Director / Superintendent

PURPOSE	AMOUNT
Salary & Benefits:	
Salary	\$ 91,977
Benefits - Insurance	15,410
Benefits - Retirement	2,815
Total Salary & Benefits	\$ 110,202
Other Items:	
Travel	\$ 2,629
Telephone	1,980
Total Other Items	4,609
Total Salary, Benefits, & Other Items	\$ 114,811

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
SCHEDULE OF COMPENSATION PAID TO GOVERNING MEMBERS
YEAR ENDED AUGUST 31, 2023

The following information is provided in compliance with House Concurrent Resolution No. 54 of the Louisiana Legislature.

Dexter Armstead 8037 Battle Road Ethel, LA 70730	2,880
Ryan Dawson 1619 Allen Lane Clinton, LA 70722	360
Marlin McGehee 7337 Panache Lane Ethel, LA 70730	2,880
Ricky Dawson 15529 Highway 959 Clinton, LA 70722	2,760
Marc Gregoire P.O. Box 1802 Clinton, LA 70722	2,520
Total	<u>\$ 11,400</u>

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 SCHEDULE OF STATISTICAL DATA
 GAS SALES AND PURCHASES
 August 31, 2023

GAS SALES AND PURCHASES

	<u>AMOUNT</u>	<u>MCF</u>
Gas Sales Billed	<u>\$834,428</u>	<u>40,891</u>
Gas Purchased	<u>\$104,987</u>	<u>(25,877)</u>
Net Loss of Mcf		<u><u>15,014</u></u>
Number of Customers at August 31, 2023		<u>1,161</u>
Average Monthly Customer Billed for Year		<u>1,156</u>
Sales:		
Average Billings Per Customer Per Year		<u>\$722</u>
Average Per Customer Per Month		<u>\$61</u>
Average Sales Per Mcf		<u>\$21</u>
Average Cost of Sales Per Mcf		<u>\$6</u>

See Accompanying Notes and Independent Auditor's Report

MC DUFFIE K. HERROD, LTD.{PRIVATE }
(A Professional Accounting Corporation)

McDUFFIE K. HERROD
CERTIFIED PUBLIC ACCOUNTANT

Member:

American Institute of CPAs
Society of Louisiana CPAs

POST OFFICE BOX 8436
12410 WOODVILLE ST.
CLINTON, LA 70722
Telephone (225) 683-3888
Facsimile (225) 683-6733
Email mkherrod@bellsouth.net

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Michael Bradford and Board Members of the
Gas Utility District No. 2 of East Feliciana Parish
5449 Highway 19
Ethel, Louisiana 70730

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Gas Utility District No. 2 of East Feliciana Parish (Gas District), a component unit of East Feliciana Parish, Louisiana, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Gas District's basic financial statements, and have issued our report thereon dated February 23, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gas District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gas District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gas District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be significant deficiencies, or material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gas District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants,

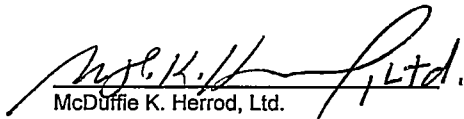
noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-002.

Gas Utility District No. 2 of East Feliciana Parish's Response to Findings

The Gas District's response to the findings identified in our audit is described in the accompanying schedule of prior and current audit findings and responses and management's corrective action plan. The Gas District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gas District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gas District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



McDuffie K. Herrod, Ltd.
A Professional Accounting Corporation
February 23, 2024

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2023

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report issued:	Unmodified
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

CURRENT YEAR:

None to report

PRIOR YEAR:

None reported

C. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR:

2023-001 Inadequate Segregation of Accounting Functions

Criteria:

Adequate internal controls require the segregation of responsibilities for authorizing transactions, physical custody of assets and the related recordkeeping.

Condition:

The Accounting Manager has the ability to create cash disbursements, process transactions, and reconciles the Gas District's bank accounts.

Cause:

The accounting duties are not properly segregated.

Effect:

An individual should not have the ability to process deposits, cash disbursements and reconcile bank accounts.

Recommendation:

Separate employees should have the responsibility of cash disbursements and reconciling bank accounts. The bank reconciliation should also be reviewed by the Director or a board member.

Management's Response:

Management engaged an independent accountant after the close of the fiscal year to outsource some of the accounting functions.

Current Status:

Resolved.

PRIOR YEAR:

2022-001 Inadequate Segregation of Accounting Functions

Criteria:

Adequate internal controls require the segregation of responsibilities for authorizing transactions, physical custody of assets and the related recordkeeping.

Condition:

The Accounting Manager has the ability to create cash disbursements, process transactions, and reconciles the Gas District's bank accounts.

Cause:

The accounting duties are not properly segregated.

Effect:

An individual should not have the ability to process cash disbursements and to reconcile bank accounts.

Recommendation:

Separate employees should have the responsibility of cash disbursements and reconciling bank accounts. The bank reconciliation should also be reviewed by the Director.

Management's Response:

Management will explore all options, including outsourcing of duties.

Current Status:

Partially resolved

D. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

CURRENT YEAR:

2023-002 Noncompliance with State Law on Sexual Harassment

Criteria:

Per Louisiana R.S. 42:343, each public servant shall receive a minimum of one hour of education and training on preventing sexual harassment during each full calendar year of his or her public employment or term in office.

Condition:

All of the employees did not have a certificate of sexual harassment training.

Cause:

Unknown.

Effect:

Noncompliance with state law.

Recommendation:

It is recommended that the Gas District put written policies and procedures in place to ensure full compliance with state laws for education, preventative measures, and annual reporting of sexual harassment.

Management's Response:

Management will implement these recommendations prior to the end of the current fiscal year with the help of the outside accountant.

Current Status:

Partially resolved.

PRIOR YEAR:

2022-002 Noncompliance with State Law on Sexual Harassment

Criteria:

Per Louisiana R.S. 42:343, each public servant shall receive a minimum of one hour of education and training on preventing sexual harassment during each full calendar year of his or her public employment or term in office.

Condition:

All of the employees did not have a certificate of sexual harassment training.

Cause:

Unknown.

Effect:

Noncompliance with state law.

Recommendation:

It is recommended that the Gas District put written policies and procedures in place to ensure full compliance with state laws for education, preventative measures, and annual reporting of sexual harassment.

Management's Response:

Management will implement these recommendations prior to the end of the current fiscal year.

Current Status:
Partially resolved.

E. MANAGEMENT LETTER ITEMS

There are no management letter items to report as of August 31, 2023.

F. COMMUNICATIONS

The results of the audit were discussed with Michael Bradford, system manager, on February 23, 2024.

GAS UTILITY DISTRICT NO. 2 OF
EAST FELICIANA PARISH
ETHEL, LOUISIANA

STATEWIDE AGREED-UPON
PROCEDURES REPORT

FOR THE YEAR ENDED
AUGUST 31, 2023

MC DUFFIE K. HERROD, LTD. {PRIVATE }
(A Professional Accounting Corporation)

McDUFFIE K. HERROD
CERTIFIED PUBLIC ACCOUNTANT

Member:
American Institute of CPAs
Society of Louisiana CPAs

POST OFFICE BOX 8436
12410 WOODVILLE ST.
CLINTON, LA 70722
Telephone (225) 683-3888
Facsimile (225) 683-6733
Email:
mkherrod@bellsouth.net

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Governing Board of East Feliciana Parish Gas Utility District No. 2 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2022 through August 31, 2023. East Feliciana Parish Gas Utility District No. 2's management is responsible for those C/C areas identified in the SAUPs.

East Feliciana Parish Utility District No. 2 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period September 1, 2022 through August 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
The Entity's policies and procedures were reviewed with no exceptions noted.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase

requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

The entity does not have written policies and procedures in place to address purchasing

- iii. **Disbursements**, including processing, reviewing, and approving.

The entity does not have written policies and procedures in place to address disbursements.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The policies and procedures do not address receipts.

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exceptions were noted.

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The entity does not have written policies and procedures in place to address contracting; however, the board approves all contracts.

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The entity does not have written policies and procedures in place to address travel expense reimbursement; however, it was found the board approves all expenditures.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The entity does not have written policies and procedures in place to address credit card use.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that

documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exceptions noted for this procedure.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The entity does not have written policies and procedures in place to address debt service.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes.

The entity does not have written policies and procedures in place to address disaster recovery or business continuity. However, there is a service agreement in place that covers all of the items above.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

This item is not adequately addressed in their policies and procedures.

2) Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and

- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative

ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions noted.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Board minutes and other information reviewed indicated that the board took action on prior year findings.

3) Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions were noted.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions were noted.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were noted.

4) Collections (excluding electronic funds transfers)

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

Management provided a list of collection locations along with representation that the list was complete. The Entity only has one location.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
- i. Employees responsible for cash collections do not share cash drawers/registers;
It was determined upon our analysis that employees responsible for cash collections do not share cash drawers.
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
No exceptions noted.
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
Due to the staff only consisting of two employees in the office, separation of duties is limited. The entity has determined that it is not financially feasible to hire additional staff at this time.
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
See item iii, above.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
All employees that have access to cash are bonded.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
No exceptions noted.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No exceptions noted.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
No exceptions noted.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
No exceptions noted.
- v. Trace the actual deposit per the bank statement to the general ledger.
No exceptions noted.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Management provided us with the requested information and indicated it was complete.
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
No exceptions noted.
 - ii. At least two employees are involved in processing and approving payments to vendors;
No exceptions noted.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
No exceptions noted.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
No exceptions noted.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions noted.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions were noted for this procedure.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions were noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions were noted.

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**We obtained the list from management & management represented the list was complete.*

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
No exceptions noted.
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
No exceptions noted to this procedure.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
This procedure noted no exceptions.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
Not applicable.
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

Not applicable

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

Not applicable.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

Not applicable

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

Not applicable

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

Not applicable

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Not applicable

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A complete listing was obtained from management along with the assertion that the list was complete.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exceptions noted

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

No exceptions were noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exceptions noted.

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

No exceptions noted.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

- a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
All selected employees complete the required training.
 - b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
No exceptions were noted.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
No exceptions were noted.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
Not applicable, no new debt for the period.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
Not applicable

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
According to management, there have been no instances of misappropriation of public funds or assets.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were noted.

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.

No exceptions noted.

- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

No exceptions noted.

- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

No exceptions noted.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

No office employees were terminated during the period.

14) Prevention of Sexual Harassment

26. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

All employees did not complete the required training.

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

The Entity does not have this policy on their web site.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

No exceptions noted.

- ii. Number of sexual harassment complaints received by the agency;

No complaints were received according to management.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

No complaints were received according to management.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable. None received.

- v. Amount of time it took to resolve each complaint.

Not applicable. None received.

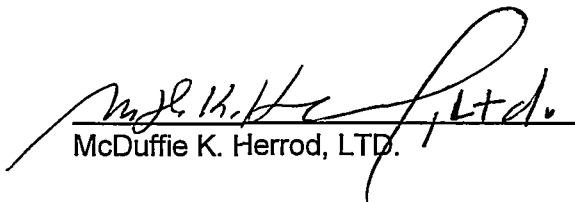
Management's Response

Management of the East Feliciana Parish Gas Utility District No. 2 concurs with the exceptions noted and are working to address the deficiencies identified.

We were engaged by East Feliciana Parish Gas Utility District No. 2 to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of East Feliciana Parish Gas Utility District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



McDuffie K. Herrod, LTD.

Clinton, Louisiana

February 23, 2024