

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, 2020

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
BASIC FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR END AUGUST 31, 2020
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MC DUFFIE K. HERROD, LTD.

(A Professional Accounting Corporation)

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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

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, 2020, 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Gas District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, 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 the 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.

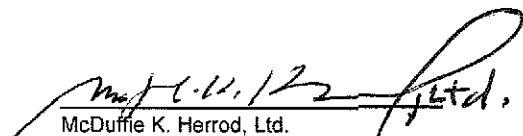
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gas District's basic financial statements. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required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

Other Supplementary Information

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 19, 2021, 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 19, 2021

REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

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 \$1,041,819.

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 7-10 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.

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

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

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**

	2020	2019
Assets		
Current assets	\$630,826	\$669,796
Investments (unrestricted portion)	148,863	143,354
Restricted assets	195,087	195,801
Capital assets, net	290,433	280,358
Other assets	15	15
Total assets	1,265,224	1,289,324
Liabilities		
Current liabilities	134,833	124,235
Non-current liabilities	88,572	91,423
Total liabilities	223,405	215,658
Net Position		
Net investment in capital assets	290,433	280,358
Restricted	195,087	195,801
Unrestricted	556,299	597,507
Net Position	\$ 1,041,819	\$ 1,073,666

A summary of changes in net position is as follows:

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

	2020	2019
Revenues		
Operating	\$ 574,627	\$ 680,599
Non-operating	5,721	9,694
Total Revenues	580,348	690,293

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

Expenditures			
Operating	610,932	667,011	
Non-operating	1,263	1,175	
Total Expenditures	612,195	668,186	
 Change in net position	 (31,847)	 22,107	
 Net position, beginning	 1,073,666	 1,051,559	
 Net position, ending	 \$ 1,041,819	 \$ 1,073,666	

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

SUMMARY OF CASH FLOWS

	2020	2019
Cash and cash equivalents provided by (used for)		
Operating activities	\$(2,494)	\$(92,250)
Non-capital financial activities	0	0
Capital and related financing activities	(40,531)	(2,930)
Investing activities	5,720	9,694
Net change in cash and cash equivalents	(37,305)	(85,486)
 Cash and cash equivalents, beginning of year	 634,068	 719,554
 Cash and cash equivalents, end of year	 \$596,763	 \$634,068

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets, net of accumulated depreciation and related debt at August 31, 2020 and 2019, was \$290,433 and \$280,358, respectively. There were capital expenditures in the amount of \$35,860 added in the current year.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

Capital assets at year-end are summarized as follows:

Capital Assets
Net of Accumulated Depreciation

Non-depreciable Assets	2020	2019
Land	\$ 31,000	\$ 31,000
Depreciable Assets		
Gas distribution system	207,864	187,566
Furniture office equipment	0	0
Machinery & equipment	3,591	8,122
Vehicle	0	2,666
Building and Improvements	47,978	51,004
 Capital Assets Net	\$ 290,433	\$ 280,358

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

GAS UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION
August 31, 2020

	Business-Type Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 596,763
Investments	148,863
Receivables, net	14,256
Inventory	4,514
Prepaid Expenses	15,293
Capital assets, net	290,433
Restricted assets:	
Investments	195,087
Other Assets	
Deposits	15
Total Assets	1,265,224
 LIABILITIES	
Current Liabilities:	
Accounts payable	5,574
Payroll related withholdings and related payables	22,745
Customer deposits	103,664
Note Payable - current portion	2,850
Total Current Liabilities	134,833
 Non-Current Liabilities:	
Note Payable - long term portion	88,572
Total Non-Current Liabilities	88,572
Total Liabilities	223,405
 NET POSITION	
Net investment in capital assets	290,433
Restricted	195,087
Unrestricted	556,299
Net Position	\$ 1,041,819

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, 2020

	Business-Type Activities
OPERATING REVENUES	
Charges for services	
Gas Sales	\$ 564,054
Reconnection charges	\$ 280
Tap fees	3,200
Miscellaneous refunds / reimbursements	7,093
Total Operating Revenue	574,627
 OPERATING EXPENSES	
Administrative	\$ 43,177
Depreciation	25,785
Employee and related expenses	316,703
Occupancy	2,041
Gas purchases	102,828
Personal services	120,398
Total Operating Expenses	610,932
Operating Income	\$ (36,305)
 NON-OPERATING REVENUES (EXPENSES)	
Interest earned	\$ 5,721
Donations	-
Interest expense	(1,263)
Total Non-Operating Revenues (Expenses)	4,458
Change in Net Position	(31,847)
Net Position, beginning	1,073,666
Net Position, ending	\$ 1,041,819

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers/grantors	\$ 574,716
Cash paid to suppliers for goods/services	(260,507)
Cash paid to employees for services	(316,703)
Net Cash Used by Operating Activities	(2,494)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Notes	(4,671)
Gas Distribution System Additions	(35,860)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(40,531)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from savings/certificates of deposit	5,721
Net Cash Provided by Investing Activities	5,721
Net Decrease in Cash and Cash Equivalents	(37,304)
Cash and Cash Equivalents, beginning of year	634,068
Cash and Cash Equivalents, end of year	\$ 596,764

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Business-Type Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	(36,305)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	25,785
(Increase) decrease in assets:	
Accounts receivable	4,610
Prepaid expenses	(7,144)
Increase (decrease) in liabilities:	
Accounts payable	1,800
Payroll related payables	6,662
Customer deposits	2,098
Net Cash Provided by Operating Activities	<u>(2,494)</u>

Cash Presentation on Statement of Net Assets:

Current Assets: Cash and cash equivalents	596,764
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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, 2020

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, 2020

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, 2020

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, 2020, which was \$15,293 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, 2020

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 \$739,658 as of August 31, 2020. 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, 2020, of which none is restricted, is as follows:

	Business- type Activities
Demand deposits	\$ 5,897
Interest-bearing demand deposits	<u>590,795</u>
Total	<u>\$ 596,692</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.

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 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2020

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, 2020, is as follows:

Restricted Portion	\$ 195,087
Unrestricted Portion	<u>148,863</u>
Total Investments	<u>\$ 343,950</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2020, 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	1,190,822	35,860	0	1,226,682
Less accumulated depreciation	(1,003,256)	(15,561)	0	(1,018,817)
Net Gas Distribution System	187,566	20,299	0	207,865
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	(59,504)	(4,798)	0	(64,302)
Net Machinery & equipment	8,122	(4,798)	0	3,324
Vehicles	116,162		0	116,162
Less accumulated depreciation	(113,496)	(2,666)	0	(116,162)
Net Vehicles	2,666	(2,666)	0	0
Building and improvements	115,466	0	0	115,466
Less accumulated depreciation	(64,462)	(2,760)	0	(67,222)
Net Building and improvements	51,004	(2,760)	0	48,244
Capital Assets, being depreciated, net	<u>249,358</u>	<u>10,075</u>	<u>0</u>	<u>259,433</u>
Capital Assets, net	\$280,358	10,075		\$290,433

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2020

NOTE 5 -ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables and obligations at August 31, 2020:

Accounts payable	\$ 5,574
Payroll / withholdings	18,267
Customer deposits	103,664
Notes Payable, short term portion	2,850
Notes Payable, long term portion	<u>88,572</u>
Total	<u>\$ 218,927</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>
08/31/21	\$2,850
08/31/22	2,889
08/31/23	2,928
08/31/24	2,968
08/31/25	3,008
08/31/26-'30	15,664
08/31/31-'35	16,756
08/31/36-'40	17,924
08/31/41-'45	19,174
08/31/46-'47	7,597

NOTE 7 -RESTRICTED NET POSITION

The following is a summary of restricted net position at August 31, 2020:

	Business - Type Activities
Restricted for:	
Short term portion of note payable	\$ 2,850
Long term portion of note payable	88,572
Customer deposits	<u>103,664</u>
Total Restricted	<u>\$ 195,086</u>

NOTE 8 - LEASES

No lease obligations existed at August 31, 2020.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

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 2020 and 2019 were \$10,111 and \$9,038, 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 \$19,397 in accrued vacation leave earned at August 31, 2020.

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 19, 2021, the date on which the financial statements were available to be issued that would materially impact the accompanying financial statements.

NOTE 15 – COVID-19 PANDEMIC

In March, 2020, the World Health Organization made the assessment that the outbreak of a novel Coronavirus (Covid-19) be characterized as a pandemic. This pandemic has affected the System's operations for the current fiscal year to a degree. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the System's financial condition, liquidity, and future results of operations.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

Management is actively monitoring the global situation on its financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the System is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year or future periods. No adjustments have been made to these financial statements as a result of this uncertainty.

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, 2020

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 / Superintendant

PURPOSE	AMOUNT
Salary & Benefits:	
Salary	\$ 87,096
Benefits - Insurance	11,122
Benefits - Retirement	3,484
Total Salary & Benefits	\$ 101,702
Other Items:	
Per Diem	\$ 1,000
Telephone	1,632
Total Other Items	2,632
Total Salary, Benefits, & Other Items	\$ 104,334

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
SCHEDULE OF COMPENSATION PAID TO GOVERNING MEMBERS
YEAR ENDED AUGUST 31, 2020

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

Donna M. Allen 510 W. Meadow Jackson, LA 70748	\$ 2,280
Dexter Armstead 8037 Battle Road Ethel, LA 70730	3,000
Ryan Dawson 1619 Allen Lane Clinton, LA 70722	1,560
Marlin McGehee 7337 Panache Lane Ethel, LA 70730	3,000
Ricky Dawson 15529 Highway 959 Clinton, LA 70722	2,880
Total	<u>\$ 12,720</u>

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 SCHEDULE OF STATISTICAL DATA
 GAS SALES AND PURCHASES
 August 31, 2020

GAS SALES AND PURCHASES

	<u>AMOUNT</u>	<u>MCF</u>
Gas Sales Billed	<u>\$560,300</u>	<u>39,281</u>
Gas Purchased	<u>\$102,828</u>	<u>(41,326)</u>
Net Loss of Mcf		<u>(2,045)</u>
Number of Customers at August 31, 2019		<u>1,054</u>
Average Monthly Customer Billed for Year		<u>1,058</u>
Sales:		
Average Billings Per Customer Per Year		<u>\$532</u>
Average Per Customer Per Month		<u>\$44</u>
Average Sales Per Mcf		<u>\$12</u>
Average Cost of Sales Per Mcf		<u>\$4</u>

See Accompanying Notes and Independent Auditor's Report

MC DUFFIE K. HERROD, LTD.

(A Professional Accounting Corporation)

McDUFFIE K. HERROD
CERTIFIED PUBLIC ACCOUNTANT

Member:

American Institute of CPAs
Society of Louisiana CPAs

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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, a component unit of East Feliciana Parish, Louisiana, as of and for the year ended August 31, 2020, 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 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Gas District's, State of Louisiana's internal control over financial reporting (internal control) to determine the 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 2020-001 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,

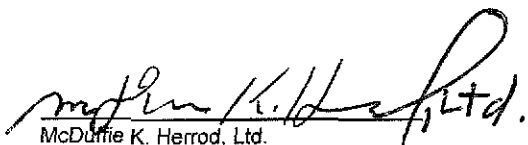
noncompliance with which could have a direct and material effect on the determination of financial amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

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 findings and responses. 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 19, 2021

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2020

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:

2020-001 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 has begun the process of outsourcing some accounting functions.

PRIOR YEAR:

2019-001 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:

None to report.

PRIOR YEAR:

None reported

E. MANAGEMENT LETTER ITEMS

There are no management letter items to report as of August 31, 2020.