

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, 2019

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
ETHEL, LOUISIANA  
BASIC FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION  
YEAR END AUGUST 31, 2019  
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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, 2019, 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, 2019, 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.

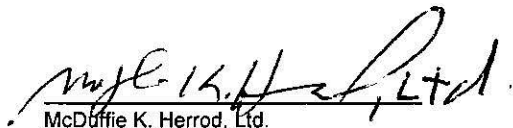
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gas District's basic financial statements. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required 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 18, 2020, 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 18, 2020



## **MANAGEMENT DISCUSSION AND ANALYSIS**

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

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 \$1,073,666.

## 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, 2019

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**

	2019	2018
<b>Assets</b>		
Current assets	\$669,796	\$760,578
Investments (unrestricted portion)	143,354	139,066
Restricted assets	195,801	196,753
Capital assets, net	280,358	257,483
Other assets	15	15
Total assets	<u>1,289,324</u>	<u>1,353,895</u>
<b>Liabilities</b>		
Current liabilities	124,235	207,946
Non-current liabilities	91,423	94,390
Total liabilities	<u>215,658</u>	<u>302,336</u>
<b>Net Position</b>		
Net investment in capital assets	280,358	257,483
Restricted	195,801	196,753
Unrestricted	597,507	597,323
Net Position	<u>\$ 1,073,666</u>	<u>\$ 1,051,559</u>

A summary of changes in net position is as follows:

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

	2019	2018
<b>Revenues</b>		
Operating	\$ 680,599	\$ 669,290
Non-operating	9,694	8,656
Total Revenues	<u>690,293</u>	<u>677,946</u>

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

<b>Expenditures</b>		
Operating	667,011	671,497
Non-operating	1,175	0
<b>Total Expenditures</b>	<b>668,186</b>	<b>671,497</b>
Change in net position	22,107	6,449
Net position, beginning	1,051,559	1,045,110
Net position, ending	<u>\$ 1,073,666</u>	<u>\$ 1,051,559</u>

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

**SUMMARY OF CASH FLOWS**

	<b>2019</b>	<b>2018</b>
<b>Cash and cash equivalents provided by (used for)</b>		
Operating activities	(92,250)	118,340
Non-capital financial activities	0	0
Capital and related financing activities	(2,930)	(2,835)
Investing activities	9,694	8,656
Net change in cash and cash equivalents	(85,486)	124,161
Cash and cash equivalents, beginning of year	719,554	595,393
Cash and cash equivalents, end of year	<u>634,068</u>	<u>719,554</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets:* The District's investment in capital assets, net of accumulated depreciation and related debt at August 31, 2019 and 2018, was \$280,358 and \$257,483, respectively. There were capital expenditures in the amount of \$55,762 added in the current year.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

Capital assets at year-end are summarized as follows:

<b>Capital Assets</b>		
<b>Net of Accumulated Depreciation</b>		
<b>Non-depreciable Assets</b>	<u>2019</u>	<u>2018</u>
Land	\$ 31,000	\$ 31,000
 <b>Depreciable Assets</b>		
Gas distribution system	187,566	146,469
Furniture office equipment	0	0
Machinery & equipment	8,122	12,920
Vehicle	2,666	13,331
Building and Improvements	<u>51,004</u>	<u>53,763</u>
 Capital Assets Net	 <u>\$ 280,358</u>	 <u>\$ 257,483</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**

GAS UTILITY DISTRICT NO. 2  
STATEMENT OF NET POSITION  
August 31, 2019

	Business-Type Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 634,068
Investments	143,354
Receivables, net	22,740
Inventory	4,839
Prepaid Expenses	8,149
Capital assets, net	280,358
Restricted assets:	
Investments	195,801
Other Assets	
Deposits	15
Total Assets	<u>1,289,324</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	3,774
Payroll related withholdings and related payables	16,083
Customer deposits	101,566
Note Payable - current portion	2,812
Total Current Liabilities	<u>124,235</u>
Non-Current Liabilities:	
Note Payable - long term portion	91,423
Total Non-Current Liabilities	<u>91,423</u>
Total Liabilities	215,658
<b>NET POSITION</b>	
Net investment in capital assets	280,358
Restricted	195,801
Unrestricted	597,507
Net Position	<u>\$ 1,073,666</u>

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, 2019

	<u>Business-Type Activities</u>
OPERATING REVENUES	
Charges for services	
Gas Sales	\$ 675,743
Reconnection charges	\$ 105
Tap fees	3,400
Miscellaneous refunds / reimbursements	<u>1,351</u>
Total Operating Revenue	680,599
 OPERATING EXPENSES	
Administrative	\$ 45,648
Depreciation	32,887
Employee and related expenses	297,115
Occupancy	1,949
Gas purchases	161,730
Personal services	<u>127,682</u>
Total Operating Expenses	<u>667,011</u>
 Operating Income	 <u><u>\$ 13,588</u></u>
 NON-OPERATING REVENUES (EXPENSES)	
Interest earned	\$ 9,694
Donations	-
Interest expense	<u>(1,175)</u>
Total Non-Operating Revenues (Expenses)	<u>8,519</u>
 Change in Net Position	 22,107
Net Position, beginning	<u>1,051,559</u>
Net Position, ending	<u><u>\$ 1,073,666</u></u>

See Accompanying Notes and Independent Auditor's Report



GAS UTILITY DISTRICT NO. 2  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers/grantors	\$ 685,924
Cash paid to suppliers for goods/services	(425,297)
Cash paid to employees for services	(297,115)
Net Cash Used by Operating Activities	<u>(36,488)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Notes	(2,930)
Gas Distribution System Additions	(55,762)
 Net Cash Provided by (Used for) Capital and Related Financing Activities	 <u>(58,692)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from savings/certificates of deposit	<u>9,694</u>
 Net Cash Provided by Investing Activities	 <u>9,694</u>
 Net Decrease in Cash and Cash Equivalents	 (85,486)
 Cash and Cash Equivalents, beginning of year	 <u>719,554</u>
 Cash and Cash Equivalents, end of year	 <u><u>\$ 634,068</u></u>

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Business-Type Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating profit	22,107
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	32,887
(Increase) decrease in assets:	
Accounts receivable	5,325
Prepaid expenses	(29)
Increase (decrease) in liabilities:	
Accounts payable	(84,440)
Payroll related payables	(14,316)
Customer deposits	1,978
Net Cash Provided by Operating Activities	<u>(36,488)</u>

Cash Presentation on Statement of Net Assets:

Current Assets: Cash and cash equivalents	634,068
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See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
ETHEL, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019

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  
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**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.

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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019

**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, 2019, which was \$8,149 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.

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NOTES TO FINANCIAL STATEMENTS  
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**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 \$968,819 as of August 31, 2019. 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, 2019, of which none is restricted, is as follows:

	Business- type Activities
Demand deposits	\$ 4,353
Interest-bearing demand deposits	629,715
Total	<u>\$ 634,068</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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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, 2019, is as follows:

Restricted Portion	\$ 195,801
Unrestricted Portion	<u>143,354</u>
Total Investments	<u>\$ 339,155</u>

**NOTE 4 -CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2019, 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	1,135,060	55,762	0	1,190,822
Less accumulated depreciation	(988,592)	(14,664)	0	(1,003,256)
Net Gas Distribution System	146,468	41,098	0	187,566
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	(54,706)	(4,798)	0	(59,504)
Net Machinery & equipment	12,920	(4,798)	0	8,122
Vehicles	116,162		0	116,162
Less accumulated depreciation	(102,831)	(10,665)	0	(113,496)
Net Vehicles	13,331	(10,665)	0	2,666
Building and improvements	115,466	0	0	115,466
Less accumulated depreciation	(61,703)	(2,759)	0	(64,462)
Net Building and improvements	53,763	(2,759)	0	51,004
Capital Assets, being depreciated, net	226,483	22,875	0	249,358
Capital Assets, net	\$257,483	22,875		\$280,358

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
ETHEL, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019

NOTE 5 -ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables and obligations at August 31, 2019:

Accounts payable	\$ 3,774
Payroll / withholdings	16,083
Customer deposits	101,566
Notes Payable, short term portion	2,812
Notes Payable, long term portion	91,423
Total	<u>\$ 215,658</u>

NOTE 6 - LONG-TERM OBLIGATIONS

In August, 2019, 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>
08/31/20	\$2,812
08/31/21	2,850
08/31/22	2,889
08/31/23	2,928
08/31/24	2,248
08/31/25-'29	16,311
08/31/30-'34	17,448
08/31/35-'39	18,664
08/31/40-'44	15,240
08/31/45-'47	12,845

NOTE 7 -RESTRICTED NET POSITION

The following is a summary of restricted net position at August 31, 2019:

	Business - Type Activities
Restricted for:	
Short term portion of note payable	\$ 2,812
Long term portion of note payable	91,423
Customer deposits	101,566
Total Restricted	<u>\$ 195,801</u>

NOTE 8 - LEASES

No lease obligations existed at August 31, 2019.



GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH  
ETHEL, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019

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 2019 and 2018 were \$9,038 and \$8,077, 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 \$14,920 in accrued vacation leave earned at August 31, 2019.

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 18, 2020, 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, 2019

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	\$ 88,306
Benefits - Insurance	11,136
Benefits - Retirement	<u>3,008</u>
Total Salary & Benefits	\$ 102,450
Other Items:	
Per Diem	\$ 960
Telephone	<u>1,128</u>
Total Other Items	<u>2,088</u>
Total Salary, Benefits, & Other Items	<u><u>\$ 104,538</u></u>

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, 2019

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	2,760
Ryan Dawson 1619 Allen Lane Clinton, LA 70722	1,080
Marlin McGehee 7337 Panache Lane Ethel, LA 70730	2,280
Leon Spears P.O. Box 374 Clinton, LA 70722 * Resigned 06/24/2019	840
Ricky Dawson 15529 Highway 959 Clinton, LA 70722 * Appointed 8/12/2019	240
Total	<u>\$ 9,480</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, 2019

**GAS SALES AND PURCHASES**

	<u>AMOUNT</u>	<u>MCF</u>
Gas Sales Billed	<u>\$647,292</u>	<u>44,782</u>
Gas Purchased	<u>\$161,730</u>	<u>(44,097)</u>
Net Loss of Mcf		<u>685</u>
Number of Customers at August 31, 2019		<u>1,018</u>
Average Monthly Customer Billed for Year		<u>1,055</u>
Sales:		
Average Billings Per Customer Per Year		<u>\$636</u>
Average Per Customer Per Month		<u>\$53</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**  
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Society of Louisiana CPAs

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Email [mkherrod@bellsouth.net](mailto: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, a component unit of East Feliciana Parish, Louisiana, as of and for the year ended August 31, 2019, 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 18, 2020.

### 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 2019-001 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,

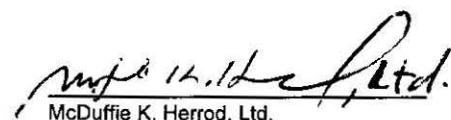
noncompliance with which could have a direct and material effect on the determination of financial amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances 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 18, 2020

**GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**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:**

**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 has begun the process of outsourcing some accounting functions.

**PRIOR YEAR:**

**2018-001 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, 2019.

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

STATEWIDE AGREED-UPON  
PROCEDURES REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2019

# MC DUFFIE K. HERROD, LTD.

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Gas Utility District No. 2 of East Feliciana Parish (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures – Year 3 (SAUPs) for the fiscal period September 1, 2018 through August 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

*The Gas District did not have written policies and procedures to address this function.*

- b) ***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 Gas District did not have written policies and procedures to address this function.*

- c) **Disbursements**, including processing, reviewing, and approving

*The Gas District did not have written policies and procedures to address this function.*

- d) **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 Gas District did not have written policies and procedures to address this function.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*The Gas District did not have written policies and procedures to address this function.*

- f) **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 Gas District did not have written policies and procedures to address this function.*

- g) **Credit Cards (and debit cards, fuel cards, P-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 Gas District did not have written policies and procedures to address this function; however, the system operator noted approval for statements reviewed.*

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

*The Gas District did not have written policies and procedures to address this function.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*The Gas District did not have written policies and procedures to address this function.*

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

*The Gas District did not have written policies and procedures to address this function.*

- k) **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, and tools needed to recover operations after a critical event.

*The Gas District did not have written policies and procedures to address this function.*

*Management's response: the board will work with the staff to establish complete written procedures to address each of these categories.*

### ***Board or Finance Committee***

---

2. Obtain and review 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:

- a) 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.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.<sup>1</sup> *Alternately, for those entities reporting on the non-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.*

*Board meeting minutes were reviewed and we concluded that the board minutes included monthly financial statements, however did not include budget-to-actual comparisons.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

*Prior audit report did not show a negative ending unrestricted fund balance, so this was not applicable.*

### ***Bank Reconciliations***

---

3. Obtain a listing of client 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 selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b) Bank reconciliations include evidence that a member of management/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
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Items a) – c): A list of all bank accounts was obtained from management and was represented as being complete. All bank statements and reconciliations inspected showed that reconciliations were done within 1 month after the end of each statement date. There was no evidence that bank statement reconciliations were reviewed by anyone. It was noted that reconciliations were prepared for all months. There was no evidence that outstanding items older than 6 months have been addressed.*

*Management's response: the board will determine a qualified person to review the bank statement reconciliations for each month.*

### **Collections**

---

- 4. 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).

*We obtained a list of cash collection locations and managements representation that the listing was complete.*

- 5. For each deposit site selected, obtain a listing of collection locations<sup>2</sup> and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, 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: *(see responses after item (d, below)*

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.



- c) Each employee responsible for collecting cash is not 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.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*Items a) – d):*

*We obtained a list of all cash collection locations which included three (3) locations total; one location is the Gas District and the other two locations are local financial institutions that accept payments. The persons collecting payments are not responsible for depositing the cash in the bank, recording related transactions or reconciling the related bank account without verification by another employee, and are not required to share the same cash register or drawer with another employee. The Gas District did not have written policies and procedures to address this function; inquiries were made of employees. Supporting documentation was obtained and reviewed with no exceptions noted.*

*Management's response: the board will work to set-out these procedures in writing.*

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (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). *Alternately, 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:

- a) Observe that receipts are sequentially pre-numbered.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- d) 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).

*There were no prior year exceptions noted, therefore this procedure is not applicable.*



- e) Trace the actual deposit per the bank statement to the general ledger.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

---

- 8. 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).

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- 9. For each location selected under #8 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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- b) At least two employees are involved in processing and approving payments to vendors.

*See a), above.*

- c) 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.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- d) 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.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- 10. For each location selected under #8 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:

- a) Observe that the disbursement matched the related original invoice/billing statement.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

12. 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:

- a) Observe that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

13. Using the monthly statements or combined statements selected under #12 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 (i.e. each card should have 10 transactions subject to testing). 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).

*Not applicable – no credit cards are held by the District.*

### **Travel and Expense Reimbursement**

---

14. 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, 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:

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

b) *There were no prior year exceptions noted, therefore this procedure is not applicable.*

c) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

d) 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 policy (procedure #1h).

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

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

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

## **Contracts**

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15. 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. *Alternately, 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:

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

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

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

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

- d) 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.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

### ***Payroll and Personnel***

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

*No exceptions were noted in prior year and same 4 full-time employees continued in the current fiscal year, so this procedure was not performed again for the current period.*

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*See item number 16, above.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*See item number 16, above.*

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

*See item number 16, above.*

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

*See item number 16, above.*

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*Management represented to us that all payroll taxes and like items were timely filed and paid.*

#### ***Ethics (excluding nonprofits)***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics compliance documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*We reviewed documentation from management and determined that the Director had completed the required ethics training.*

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*We did not observe where signature verification was done, but management contends that each employee is aware of the District's ethics policy.*

*Management's response: the board will develop a form to document each employee's reading of the ethics policy.*

#### ***Debt Service (excluding nonprofits)***

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*No exceptions noted.*

22. 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.

*There were no prior year exceptions noted, therefore this procedure is not applicable.*

#### ***Other***

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23. 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.

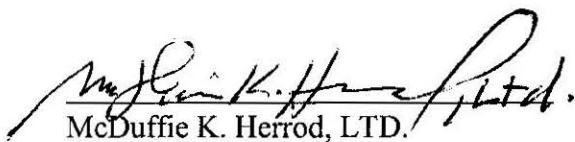
*We inquired of management if there were any misappropriations of funds. Management stated that they were not aware of any misappropriations of funds and none were reported.*

24. 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.

*We observed that the entity has the notice required by R.S. 24:523.1 posted on their premises. The entity does not have a website.*

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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 18, 2020