

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, 2017

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
BASIC FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR END AUGUST 31, 2017
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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, 2017, 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, 2017, 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.

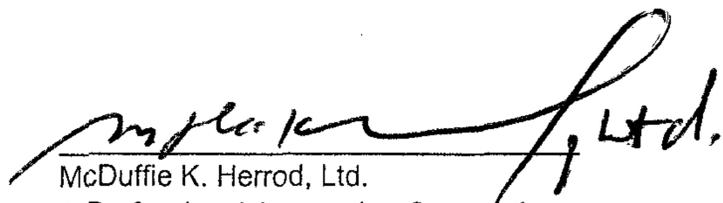
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gas District's basic financial statements. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required 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 23, 2018, on our consideration of the Gas District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gas District's internal control over financial reporting and compliance.



McDuffie K. Herrod, Ltd.
A Professional Accounting Corporation
February 23, 2018

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017

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 \$1,045,110.

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 decrease 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, 2017

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**

	2017	2016
Assets		
Current assets	\$ 634,838	\$ 521,439
Investments (unrestricted portion)	97,141	238,491
Restricted assets	236,751	93,753
Capital assets, net	289,420	321,422
Other assets	15	15
Total assets	1,258,165	1,175,120
Liabilities		
Current liabilities	117,130	109,913
Non-current liabilities	95,925	0
Total liabilities	213,055	109,913
Net Position		
Net investment in capital assets	289,420	321,422
Restricted	236,751	
Unrestricted	518,939	743,784
Net Position	\$ 1,045,110	\$ 1,065,206

A summary of changes in net position is as follows:

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

	2017	2016
Revenues		
Operating	\$ 570,414	\$ 480,707
Non-operating	8,587	2,227
Total Revenues	579,001	482,934

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017

Expenditures		
Operating	599,097	557,665
Non-operating	0	0
Total Expenditures	<u>599,097</u>	<u>557,665</u>
 Change in net position	 (20,096)	 (74,731)
 Net position, beginning	 <u>1,065,206</u>	 <u>1,139,937</u>
 Net position, ending	 <u>\$ 1,045,110</u>	 <u>\$ 1,065,206</u>

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

SUMMARY OF CASH FLOWS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents provided by (used for)		
Operating activities	21,478	(21,094)
Non-capital financial activities	0	0
Capital and related financing activities	100,000	0
Investing activities	1,940	473
Net change in cash and cash equivalents	<u>123,418</u>	<u>(20,621)</u>
 Cash and cash equivalents, beginning of year	 <u>471,975</u>	 <u>492,596</u>
 Cash and cash equivalents, end of year	 <u>595,393</u>	 <u>471,975</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, 2017 and 2016, was \$289,420 and \$321,422, respectively. There were no capital expenditures in the current year.

Capital assets at year-end are summarized as follows:

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017

**Capital Assets
Net of Accumulated Depreciation**

Non-depreciable Assets	<u>2017</u>	<u>2016</u>
Land	\$ 31,000	\$ 31,000
Depreciable Assets		
Gas distribution system	159,739	173,010
Furniture office equipment	176	621
Machinery & equipment	17,986	22,848
Vehicle	23,997	34,662
Building and Improvements	<u>56,522</u>	<u>59,281</u>
Capital Assets Net	<u>\$ 289,420</u>	<u>\$ 321,422</u>

Debt Administration: The Gas District secured a loan in the amount of \$100,000 from Landmark Bank in August 2017. The proceeds will be 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, 2017

	Business-Type Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 595,393
Investments	97,141
Receivables, net	26,763
Inventory	4,839
Prepaid Expenses	7,843
Capital assets, net	289,420
Restricted assets:	
Investments	236,751
Other Assets	
Deposits	15
Total Assets	1,258,165
 LIABILITIES	
Current Liabilities:	
Accounts payable	5,572
Payroll related withholdings and related payables	11,005
Customer deposits	96,478
Note Payable - Current Portion	4,075
Total Current Liabilities	117,130
Non-Current Liabilities:	
Note Payable - Long term portion	95,925
Total Non-Current Liabilities	95,925
Total Liabilities	213,055
 NET POSITION	
Net investment in capital assets	289,420
Restricted	236,751
Unrestricted	518,939
Net Position	\$ 1,045,110

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITRES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2017

	Business-Type Activities
OPERATING REVENUES	
Charges for services	
Gas Sales	\$ 542,316
Reconnection charges	\$ 210
Tap fees	5,000
Miscellaneous refunds / reimbursements	4,857
Grant Revenue	
FEMA funds	18,031
Total Operating Revenue	570,414
 OPERATING EXPENSES	
Administrative	\$ 40,948
Depreciation	32,002
Employee and related expenses	259,557
Occupancy	1,888
Personal services	264,702
Total Operating Expenses	599,097
Operating Loss	\$ (28,683)
 NON-OPERATING REVENUES (EXPENSES)	
Interest earned	\$ 3,587
Donations	5,000
Interest expense	
Total Non-Operating Revenues (Expenses)	8,587
Change in Net Position	(20,096)
Net Position, beginning	1,065,206
Net Position, ending	\$ 1,045,110

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers/grantors	\$ 582,436
Cash paid to suppliers for goods/services	(301,401)
Cash paid to employees for services	(259,557)
Net Cash Provided by Operating Activities	21,478
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from borrowings	100,000
Net Cash Provided by (Used for) Capital and Related Financing Activities	100,000
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from savings/certificates of deposit	1,940
Net Cash Provided by Investing Activities	1,940
Net Increase in Cash and Cash Equivalents	123,418
Cash and Cash Equivalents, beginning of year	471,975
Cash and Cash Equivalents, end of year	\$ 595,393

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>Business-Type Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	(28,683)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	32,002
(Increase) decrease in assets:	
Accounts receivable	7,022
Prepaid expenses	2,996
Increase (decrease) in liabilities:	
Accounts payable	572
Payroll related payables	4,844
Customer deposits	2,725
Net Cash Provided by Operating Activities	21,478
Cash Presentation on Statement of Net Assets:	
Current Assets: Cash and cash equivalents	595,393
Restricted Assets: Cash and cash equivalents	-
Cash and Cash Equivalents, end of year	\$ 595,393

See Accompanying Notes and Independent Auditor's Report

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINACIAL STATEMENTS
AUGUST 31, 2017

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. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Proprietary Funds: 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. Enterprises Funds - 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, 2017

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. Principle 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 FINACIAL STATEMENTS
AUGUST 31, 2017

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, 2017, which was \$7,843 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, 2017

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 located at one bank totaling \$925,130 as of August 31, 2017. 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, 2017, of which none is restricted, is as follows:

	Business- type Activities
Demand deposits	\$ 4,154
Interest-bearing demand deposits	591,239
Total	<u>\$ 595,393</u>

NOTE 3 - INVESTMENTS

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

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
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 NOTES TO FINACIAL STATEMENTS
 AUGUST 31, 2017

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, 2017, is as follows:

Restricted Portion	\$ 236,751
Unrestricted Portion	<u>97,141</u>
Total Investments	<u>\$ 333,892</u>

NOTE 4 -CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017, 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	0	0	155,783
Less accumulated depreciation	(962,050)	(13,271)	0	(975,321)
Net Gas Distribution System	173,010	(13,271)	0	819,538
Furniture / office equipment	31,160	0	0	31,160
Less accumulated depreciation	(30,539)	(444)	0	(30,983)
Net Furniture / office equipment	621	(444)		177
Machinery & equipment	67,626	0	0	67,626
Less accumulated depreciation	(44,777)	(4,863)	0	(49,640)
Net Machinery & equipment	22,848	(4,863)	0	17,986
Vehicles	118,984		(2,822)	116,162
Less accumulated depreciation	(84,323)	(10,665)	2,822	(92,166)
Net Vehicles	34,662	(10,665)	0	23,996
Building and improvements	115,466	0	0	115,466
Less accumulated depreciation	(56,185)	(2,759)	0	(58,944)
Net Building and improvements	59,281	(2,759)	0	56,522
Capital Assets, being depreciated, net	290,422	(32,002)	0	58,420
Capital Assets, net	\$321,423			\$289,420

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 NOTES TO FINACIAL STATEMENTS
 AUGUST 31, 2017

NOTE 5 -ACCOUNTS AND OTHER PAYABLES

The following is a summary of current payables at June 30, 2017:

Accounts payable	\$ 5,572
Payroll / withholdings	11,005
Customer deposits	96,478
Notes Payable, short term portion	4,075
Notes Payable, long term portion	95,925
Total	<u>\$ 213,055</u>

NOTE 6 - LONG-TERM OBLIGATIONS

In August, 2017, the Gas District secured a loan through Landmark Bank to extend service to Linwood Estates. No payments were due prior to the end of the fiscal year. The interest rate is 1.35%. The principal portion of the note for the next five years, is as follows:

<u>Fiscal Year Ending</u>	<u>Balance</u>
08/31/18	\$2,728
08/31/19	2,765
08/31/20	2,800
08/31/21	2,841
08/31/22	2,881
Remaining years	85,985

NOTE 7 -RESTRICTED NET POSITION

The following is a summary of restricted net position at June 30, 2017:

	Business - Type Activities
Restricted for:	
Long Term Liabilities	\$ 140,273
Customer deposits	96,478
Total Restricted	<u>\$ 236,751</u>

NOTE 8 - LEASES

No capital leases existed at August 31, 2017.

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
ETHEL, LOUISIANA
NOTES TO FINACIAL STATEMENTS
AUGUST 31, 2017

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 2017 and 2016 were \$7,040 and \$8,132, 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 \$2,321 in accrued vacation leave earned at August 31, 2017.

NOTE 11- OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 12 -RELATED PARTY TRANSACTIONS

There were no related party transactions that require disclosure.

NOTE 13 - LITIGATION

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

NOTE 14 -SUBSEQUENT EVENTS

There have been no transactions or events subsequent to year end through February 23, 2018, 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 Compansation, Benefits, and
Other Payments to Agency Head
For the Year Ended August 31, 2017

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	\$ 77,010
Benefits - Insurance	10,281
Benefits - Retirement	3,287
Total Salary & Benefits	\$ 90,578
Other Items:	
Per Diem	\$ 1,440
Telephone	1,142
Total Other Items	2,582
Total Salary, Benefits, & Other Items	\$ 93,160

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
SCHEDULE OF COMPENSATION PAID TO GOVERNING MEMBERS
YEAR ENDED AUGUST 31, 2017

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	\$ 2,400
Dexter Armstead 8037 Battle Raod Ethel, LA 70730	2,640
Ryan Dawson 1619 Allen Lane Clinton, LA 70722	1,320
Marlin McGehee 7337 Panache Lane Ethel, LA 70730	2,640
Leon Spears P.O. Box 374 Clinton, LA 70722	2,760
Total	<u>\$ 11,760</u>

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
 ETHEL, LOUISIANA
 SCHEDULE OF STATISTICAL DATA
 GAS SALES AND PURCHASES
 August 31, 2017

GAS SALES AND PURCHASES

	AMOUNT	MCF
Gas Sales Billed	\$520,701	34,050
Gas Purchased	\$147,888	(38,157)
Net Loss of Mcf		(4,107)
Number of Customers at August 31, 2017		1,018
Average Monthly Customer Billed for Year		1,022
 Sales:		
Average Billings Per Customer Per Year		\$504
Average Per Customer Per Month		\$42
Average Sales Per Mcf		\$15
Average Cost of Sales Per Mcf		\$4

See Accompanying Notes and Independent Auditor's Report

MC DUFFIE K. HERROD, LTD.

(A Professional Accounting Corporation)

McDUFFIE K. HERROD
CERTIFIED PUBLIC ACCOUNTANT

Member:

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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, 2017, 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 21, 2018.

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 2017-001 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-002.

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

The Gas District's response to the findings identified in our audit is described in the accompanying schedule of 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 21, 2018

GAS UTILITY DISTRICT NO. 2 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENNDED AUGUST 31, 2017

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:

2016.01 Compliance with Budget Law

Condition:

The Gas District's revenues were 26% less than the budgeted amount.

Criteria:

The Louisiana Local Government Budget Act, LA RS 39:1301-1315, specifies that revenue should not vary 5% or more, and expenditures should not vary 5% or more from budget amounts.

Cause:

The Gas District is no in compliance with applicable laws.

Recommendation:

The Gas District should monitor its budget to actual revenues more closely.

Management Response:

Management will monitor its budget to actual revenues no less than quarterly.

Current Status:

Resolved

C. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR:

2017-001 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.

D. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

CURRENT YEAR:

2017-002 Non-compliance with Louisiana RS 39:1410.60 – Incurring Indebtedness

Criteria:

Governmental units are required to apply for approval from the Louisiana State Bond Commission before obtaining a loan from any lending institution.

Condition:

Cause:

The Gas District obtained a loan from a local financial institution without seeking approval from the Bond Commission.

Effect:

The Gas District is not in compliance with this requirement.

Recommendation:

The Gas District should contact the Bond Commission to request retroactive loan approval.

Managements Response:

We will contact the Bond Commission to begin the process of applying for retroactive approval.

E. MANAGEMENT LETTER ITEMS

There are no management letter items to report as of August 31, 2017.

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

STATEWIDE AGREED-UPON
PROCEDURES REPORT

FOR THE YEAR ENDED
AUGUST 31, 2017

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 (SAUPs) for the fiscal period September 1, 2016 through August 31, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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**, including receiving, recording, and preparing deposits
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, and (5) monitoring card usage
The Gas District did not have written policies and procedures to address this function.
- 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. Note: Ethics requirements are not applicable to nonprofits.
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.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
Board meeting minutes were reviewed and we concluded that the board meets semi-monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Board meeting minutes were reviewed and we concluded that the board minutes included non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A list of all bank accounts was obtained from management and management's representation that the list is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank statements and bank reconciliations were reviewed for all checking accounts for all months during the fiscal period. It was noted that all reconciliations were prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations had no evidence that a member of management or the board reviewed each bank reconciliation.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There was no evidence that outstanding items older than 6 months have been addressed.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

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. We concluded that each person responsible for collecting cash at the Gas District is bonded, not responsible for depositing the cash in the bank, recording related transactions or reconciling the related bank account, and are not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

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

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not

made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Documentation was obtained and reviewed with no exceptions noted.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Supporting documentation was obtained and reviewed with no exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

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

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

The general ledger was obtained along with management's representation that the general ledger is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

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

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

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

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
The Gas District did not have written policies and procedures to address this function.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
The Gas District did not have written policies and procedures to address this function.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
Management inquiry indicated that the supply of unused checks is maintained in a locked location. The person responsible for printing checks does not have signature authority.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.
Not applicable

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. The entity did not utilize any credit or debit cards. The only card that was used was a fuel card. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with

the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.)]

We obtained a list of all credit cards and reviewed monthly statements and concluded that there is evidence that the supporting documentation for the fuel card was approved, in writing, by someone other than the authorized card holder. One exception was noted: the director uses a card and approves invoices, however, all checks written require 2 signatures.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.
We obtained a list of all credit cards and reviewed monthly statements and concluded that no finance charges and/or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

We obtained a list of all cards and reviewed documentation for the cards and concluded that each transaction sampled was supported by an organized itemized receipt, and documentation of the business purpose.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We compared the transaction detail to the entity's written purchasing/disbursing policies and the Louisiana Public Bid Law and concluded that there were no exceptions.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether

they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We compared the entity's documentation of the business purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution; we reviewed credit card documentation and concluded that there were no exceptions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We obtained a list of all travel and travel related expense reimbursements, and obtained management's representation that the general ledger is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We obtained the entity's written policy related to travel and expense reimbursement and concluded that the policy adheres to the per diem and mileage rates established by the U.S. GSA.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We compared expense documentation to written policies and concluded that each expense was reimbursed or prepaid in accordance with the written policy.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We concluded that the travel and expense reimbursements expenses were supported by an original itemized receipt that identifies precisely what was purchased and documentation of the business purpose. No additional documentation is required by written policy.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution; we looked at travel and other expenses related and found no exceptions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We concluded that each travel and expense reimbursement expense was reviewed and approved by someone other than the person receiving reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

The entity did not have any contracts in effect during the fiscal year. We obtained management's representation confirming that there were no contracts in effect during the fiscal year.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

-N/A

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

-N/A

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

-N/A

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

-N/A

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

-N/A

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We reviewed compensation paid to each of the five (5) employees selected and concluded that payments were made in strict accordance with terms and conditions of the employment contract or rate of pay.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We reviewed changes made to hourly pay rates/salaries and concluded that there were no changes to pay rates for the five (5) employees that were randomly selected.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

We determined that the selected employees documented their daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

We reviewed attendance and leave records and determined that a supervisor approved the attendance and leave of the sampled employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We determined that the entity maintained written leave records of the selected employees.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were no employees terminated during the fiscal year.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We reviewed documentation relating to payroll taxes and retirement contributions during the fiscal year and determined that the payroll taxes, retirement contributions, and the required reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

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

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

There were no alleged ethics violations reported to the entity during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

We reviewed documentation from the entity and determined that the State Bond Commission approval was not obtained.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

We obtained documentation and determined that the entity took out a loan on 08/21/2017. Documentation confirmed that the entity took proper steps to schedule debt service payments. However, no payments were due prior to the close of this fiscal year.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

-N/A

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation 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.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

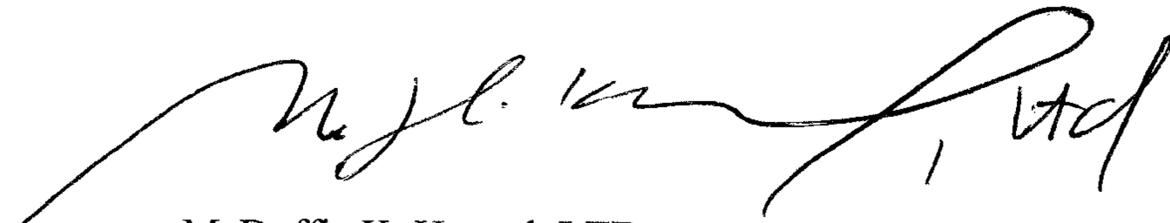
We observed that the entity has the notice required by R.S. 24:523.1 posted on their premises. The entity does not have a website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

-N/A

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 23, 2018