GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

REPORT ON AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS

JUNE 30, 2018

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH
ZACHARY, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board Members of
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Gas Utility District No. 1 of East Baton Rouge Parish (the District), (a component unit of the East Baton Rouge Parish Government), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 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 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 opinion.

Opinion

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 Gas Utility District No. 1 of East Baton Rouge Parish as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance 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 information on pages 4 through 7 and the information presented in the schedule of changes in the District's total OPEB liability and related ratios (Schedule 1) page 29 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents as Schedules 2 and 3 is presented for purposes of additional analysis and is not a required part of the financial statements.

Schedules 2 and 3 are the responsibility of management and were derived from and relate 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 our report dated May 5, 2021, on our consideration of the 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 the 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 Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
May 5, 2021

Gas Utility District No. 1of East Baton Rouge Parish
Zachary, Louisiana

Management's Discussion and Analysis

June 30, 2018

Introduction

The Gas Utility District No. 1 of East Baton Rouge Parish (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards more fully described in the financial statement footnotes as *Note 1 – Summary of Significant Accounting Policies.*

The District's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements and the accompanying financial statement footnotes.

Financial Highlights

- At June 30, 2018, total assets were $6,836,824 and exceeded liabilities in the amount of $6,245,906 (i.e., net position). Of the total net position, $4,364,878 was unrestricted with $1,881,028 net investment in capital assets. Total net position increased by $556,467.

- For the year ended June 30, 2018, gas sales revenues increased $552,319 (approximately 28%) to $2,522,727.

- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by $217,149 or 12%. The major component of the change was gas purchases increase of $116,398 or 31%.

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Gas Utility District No. 1 of East Baton Rouge Parish's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position, accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any.

Financial Analysis

The purpose of financial analysis is to help determine whether Gas Utility District No. 1 of East Baton Rouge Parish is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District.

Condensed Statement of Net Position
As of June 30, 2018 and 2017

	2018	Restated 2017	Dollar Change	Percentage Change
Assets:				
Current Assets and Other Assets	$ 4,955,796	$ 4,421,079	$ 534,717	12%
Capital Assets, Net	1,881,028	1,750,788	130,240	7%
Total Assets	6,836,824	6,171,867	664,957	11%
Liabilities:				
Current Liabilities	404,824	342,015	62,809	18%
Long-Term Liabilities	186,094	140,413	45,681	33%
Total Liabilities	590,918	482,428	108,490	22%
Net Position:				
Net Investment in Capital Assets	1,881,028	1,750,788	130,240	7%
Unrestricted (Deficit)	4,364,878	3,938,651	426,227	11%
Total Net Position	$ 6,245,906	$ 5,689,439	$ 556,467	10%

Total net position (total assets less total liabilities) increased by $556,467 for the fiscal year ending June 30, 2018.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	Restated 2017	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	$ 2,637,369	$ 2,112,875	$ 524,494	25%
Nonoperating Revenues	9,669	9,461	208	2%
Total Revenues	2,647,038	2,122,336	524,702	25%
Expenses:				
Depreciation	219,295	190,789	28,506	15%
Other Operating Expenses	1,871,276	1,682,633	188,643	11%
Total Expenses	2,090,571	1,873,422	217,149	12%
Change in Net Position	$ 556,467	$ 248,914	$ 307,553	124%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table shows an increase in net position of $556,467 for the fiscal year ending June 30, 2018 as does the Condensed Statements of Net Position on the prior page.

The District's total revenues increased by $524,702 in 2018 due to increased gas usage. The District's total expenses increased by $217,149. Part of the increase in expenses is due to increased gas purchases of approximately $117,000 related to the increase in gas sales and usage.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending June 30, 2018, Gas Utility District No. 1 of East Baton Rouge Parish had $1,881,028 (net of accumulated depreciation) recorded in capital assets. The changes in capital assets are presented in the table below.

Capital Assets
For the Years Ended June 30, 2018 and 2017

	2018	2017	Increase (Decrease)	Percentage Change
Capital Assets				
Land	$ 22,900	$ 22,900	$ -	0%
Billing Software	50,830	50,830	-	0%
Buildings and Improvements	769,993	754,397	15,596	2%
Furniture and Fixtures	67,772	67,772	-	0%
Gas System	3,148,130	2,934,755	213,375	7%
Machinery and Equipment	783,741	694,910	88,831	13%
Vehicles	380,365	348,632	31,733	
Total Capital Assets	5,223,731	4,874,196	349,535	7%
Less: Accumulated Depreciation	(3,342,703)	(3,123,408)	(219,295)	7%
Net Capital Assets	$ 1,881,028	$ 1,750,788	$ 130,240	7%

Capital Assets increased by $130,240 net of accumulated depreciation, due mainly to additions to the gas system during the current year.

Long-Term Debt

The District does not have any debt.

Future Economic Plans

The District continues to grow to match population increases and commercial growth in the District. With this continued growth, the District must develop plans not only to meet the needs of its existing citizens but must continually plan for the future. In this process the District must continually review its financial structure to ensure a continuity of services, while reviewing options for financing capital projects that meet health and environmental standards and encourage planned development.

Requests for Information

This financial report is designed to provide a general overview of Gas Utility District No. 1 of East Baton Rouge's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact Phyllis Sims, Office Manager, 10633 Greenwell Springs Port Hudson Road, Zachary, LA 70791, or (225) 654-4020.

Statement A

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

STATEMENT OF NET POSITION

AS OF JUNE 30, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 3,535,620
Investments	990,539
Receivables:	
Accounts (Net of Allowance for Uncollectible Accounts of $23,250)	43,276
Unbilled Gas Sales	70,843
	114,119
Restricted Assets:	
Cash and Cash Equivalents	267,551
Prepaid Insurance	47,897
Total Current Assets	4,955,726
Non-Current Assets:	
Capital Assets:	
Land	22,900
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	1,858,128
Total Capital Assets	1,881,028
Deposits	70
Total Non-Current Assets	1,881,098
Total Assets	6,836,824
Liabilities	
Current Liabilities:	
Accounts Payable	18,119
Other Accrued Payables	113,065
Compensated Absences	35,826
Customer Deposits	237,814
Total Current Liabilities	404,824
Noncurrent Liabilities:	
Total OPEB Liability	169,792
Long-Term Compensated Absences	11,279
Unclaimed Bonds	5,023
Total Long-Term Liabilities	186,094
Total Liabilities	590,918
Net Position	
Net Investment in Capital Assets	1,881,028
Unrestricted	4,364,878
Total Net Position	$ 6,245,906

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

Operating Revenues:	
Gas Sales	$ 2,522,727
Service Charges	114,345
Other	297
Total Operating Revenues	2,637,369
Operating Expenses:	
Gas Purchases	491,551
Salaries and Wages	698,145
Employee Benefits	125,564
Employee Retirement	69,372
Bad Debts	3,168
Bank Charges	9,393
Depreciation Expense	219,295
Drug Testing	1,480
Dues	8,253
Employee Training and Seminars	15,299
Fuel	24,732
Gas Purchase Fee	19,574
Insurance	112,939
Janitorial and Trash	5,978
Legal and Professional	21,986
Meter Reading	44,871
Miscellaneous	12,348
Office Expense	11,571
One Call Concept	3,064
Payroll Taxes	53,011
Postage	31,718
Post Employment Benefits	7,167
Public Awareness	11,322
Rental of Equipment	3,887
Repairs and Maintenance	32,436
Small Tools	1,496
Security	264
Supplies	12,522
Telephone	22,651
Utilities	15,514
Total Operating Expenses	2,090,571
Operating Income	546,798
Nonoperating Revenues (Expenses):	
Interest Income	9,669
Total Nonoperating Revenues (Expenses)	9,669
Change in Net Position	556,467
Net Position - Beginning of Year, as Restated	5,689,439
Net Position - End of Year	$ 6,245,906

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:	
Cash Received from Customers	$ 2,647,976
Cash Payments to Suppliers for Goods and Services	(920,423)
Cash Payments to Employees for Services and Benefits	(839,682)
Net Cash Provided by Operating Activities	887,871
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(349,535)
Net Receipts from Customer Deposits	9,752
Net Cash Used in Capital and Related Financing Activities	(339,783)
Cash Flows From Investing Activities:	
Purchase of Investments	(7,947)
Interest Income Received	9,669
Net Cash Provided by Investing Activities	1,722
Net Increase in Cash and Cash Equivalents	549,810
Cash and Cash Equivalents, Beginning of Year, as Restated	3,253,361
Cash and Cash Equivalents, End of Year	$ 3,803,171
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents, Unrestricted	$ 3,535,620
Cash and Cash Equivalents, Restricted	267,551
Total Cash and Cash Equivalents	$ 3,803,171

(CONTINUED)

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$	546,798
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		219,295
Provision for Bad Debt		3,168
OPEB Expense Adjustment		7,167
(Increase) Decrease in Accounts Receivable		12,209
(Increase) Decrease in Unbilled Receivable		(1,602)
(Increase) Decrease in Prepaid Insurance		9,265
Increase (Decrease) in Accounts Payable		(14,839)
Increase (Decrease) in Accrued Expenses		103,816
Increase (Decrease) in Compensated Absences		2,594
Net Cash Provided by Operating Activities	$	887,871

The accompanying notes are an integral part of this statement.

(1) Organization, Nature of Operations, and Summary of Significant Accounting Policies -

A. Organization and Nature of Operations

The Gas Utility District No. 1 of East Baton Rouge Parish (hereinafter referred to as the "District") is a political subdivision of the State of Louisiana and a component unit of the East Baton Rouge Parish Government. The District was created by the East Baton Rouge Parish government on November 8, 1961, under the provision of R.S. 33:4301, and operates under a Board of Commissioners form of government. The commissioners are appointed for a term of five years, except to fill an unexpired term. There are nine commissioners, seven of which are appointed by the East Baton Rouge Parish Council, one by the Mayor of the City of Central and one by the Mayor of the City of Zachary. The District provides natural gas to homes and businesses in a defined area of East Baton Rouge Parish, Louisiana. The District serves approximately 3,700 customers and has approximately 12 employees.

B. Financial Reporting Entity

The East Baton Rouge Parish government is the financial reporting entity for East Baton Rouge Parish, Louisiana. The East Baton Rouge Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the East Baton Rouge Parish government.

The accompanying financial statements present information only on the activities and the fund maintained by the District and do not present information on the East Baton Rouge Parish government., the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for the East Baton Rouge Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Governmental Accounting Standards Board (GASB) Statement 61.

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements establish standards for external financial reporting for all state and local governmental entities which includes a statement of net position (or balance sheet), a statement of revenues, expenses and changes in net position and a statement of cash flows.

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used. The District follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements.*

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The statement of revenues, expenses and changes in net position includes all charges for services and costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

E. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at June 30, 2018.

G. Restricted Assets

Certain resources are set aside to reimburse customers their utility deposits upon discontinuance of service.

H. Capital Assets

Capital assets of the District are recorded at historical cost. Donated assets are recorded at acquisition value. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings and Improvements	25
Machinery and Equipment	5 to 12
Furniture and Fixtures	5 to 10
Vehicles	5
Gas Systems	15 to 40

I. Compensated Absences

The District has the following policy related to vacation and sick leave:

The District's policy on vacation allows the carryover of vacation hours if unused at December 31 each year. The number of vacation hours allowed to be carried over is determined by the length of service: one to four years of service can carryover forty hours, five to nine years of service can carryover eighty hours, ten to nineteen years of service can carryover one hundred twenty hours, and over twenty years of service can carryover one hundred sixty hours. Upon separation from employment, employees will be paid for unused vacation at their current rate of pay.

Sick leave is earned at the rate of one and 1/4 day for every month worked for employees hired before June 7, 1996. Employees hired on or after June 7, 1996 earn one day per month. Unused sick leave for employees hired before June 7, 1996 are allowed to accrue and vest to a maximum of 195 days. Employees hired on or after June 7, 1996 accumulate and vest to a maximum of 130 days. Upon separation from employment, any accumulated sick leave is forfeited.

GASB Statement Number 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In accordance with GASB-16, Accounting for Compensated Absences, the amount of unused vacation time at June 30, 2018 is accrued in the District's financial statements. No liability has been accrued for unused employee sick leave.

J. Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

L. Current Year Adoption of New Standard

The District adopted the following recently issued Governmental Accounting Standards Board (GASB) Standard in the preparation of this Financial Statement:

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard revises and establish new financial reporting requirements for governments that provide their employees with postemployment benefits other than pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/ expenditures. See Note 13 for disclosure of the effects of this standard.

M. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through May 5, 2021, the date which the financial statements were available to be issued.

(2) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with original maturity dates of 90 days or less. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Cash and cash equivalents are stated at cost, which approximates market. The following is a summary of cash and cash equivalents at June 30, 2018:

	Book Balance	Bank Balance
Cash on Hand	$ 1,546	$ -
Interest Bearing Demand Deposits	3,801,625	3,823,339
	$ 3,803,171	$ 3,823,339

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of June 30, 2018, none of the District's bank balance of $3,823,339 was exposed to custodial credit risk.

(3) Investments -

As of June 30, 2018, the District had the following investments and maturities:

			Investment Maturities (in Years)			
Investment Type	Cost	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Time Certificates of Deposit	$ 990,539	$ 990,539	$ 927,773	$ 62,766	$ -	$ -

All of the District's investments are in nonnegotiable certificates of deposits with original maturity dates over 90 days. In accordance with GASB Statement No. 31, investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates are reported using a cost-based measure. Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk. For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, state law requires for these investments (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of June 30, 2018, none of the District's investments of $990,539 was exposed to custodial credit risk.

(4) Receivables -

The following is a summary of receivables at June 30, 2018:

Accounts Receivable:	
Current	$ 39,097
31-90 Days Past Due	4,179
Over 90 Days Past Due	23,250
Subtotal	66,526
Less: Allowance for Uncollectible Accounts	(23,250)
Net Accounts Receivable	$ 43,276

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The District established an allowance for uncollectible accounts based on past experience in customer collections. Periodically, the District reviews the aging of receivables and determines the actual amounts uncollectible. Per Board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of collectability. Bad debt expense totaled $3,168 for the year ended June 30, 2018.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the year. At June 30, 2018, accrued amounts were $70,843.

(5) Restricted Assets -

The following is a summary of restricted assets at June 30, 2018:

Restricted Cash and Cash Equivalents:	
Bond Redemption Fund	$ 5,322
Customer Meter Deposits	262,229
Total Restricted Cash and Cash Equivalents	$ 267,551

(6) Capital Assets -

A summary of changes in capital assets during the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets not being Depreciated:				
Land	$ 22,900	$ -	$ -	$ 22,900
Total Capital Assets not being Depreciated	22,900	-	-	22,900
Capital Assets being Depreciated:				
Billing Software	50,830	-	-	50,830
Buildings and Improvements	754,397	15,596		769,993
Furniture and Fixtures	67,772	-	-	67,772
Gas System	2,934,755	213,375	-	3,148,130
Machinery and Equipment	694,910	88,831	-	783,741
Vehicles	348,632	31,733	-	380,365
Total Capital Assets being Depreciated	4,851,296	349,535	-	5,200,831
Less Accumulated Depreciation	3,123,408	219,295	-	3,342,703
Total Capital Assets being Depreciated, Net	1,727,888	130,240	-	1,858,128
Total Capital Assets, Net	$ 1,750,788	$ 130,240	$ -	$ 1,881,028

Depreciation expense for the year ended June 30, 2018 was $219,295.

(7) Accounts Payable and Accrued Liabilities -

The following is a summary of accounts payable and accrued liabilities at June 30, 2018:

Accounts Payable	$ 18,119
Accrued Liabilities:	
Wages	3,708
Payroll Taxes	5,508
Retirement	97,790
Sales Tax	5,641
Other	418
Total Accrued Liabilities	113,065
Total Accounts Payable and Accrued Liabilities	$ 131,184

(8) Long- Term Liabilities -

The following is a summary of the long-term obligation transactions for the year ended June 30, 2018:

	Unclaimed Bond Funds	Compensated Absences	Post-Employment Benefits	Total
Long-Term Liabilities - July 1, 2017, as Previously Reported	$ 5,023	$ 164,706	$ 108,202	$ 277,931
OPEB Adjustment *	-	-	54,423	54,423
Change in Accounting Estimate*	-	(120,360)	-	(120,360)
Long-Term Liabilities - July 1, 2017, as Restated	5,023	44,346	162,625	211,994
Additions	-	43,193	7,167	50,360
Deletions	-	(40,434)	-	(40,434)
Long-Term Liabilities - June 30, 2018	$ 5,023	$ 47,105	$ 169,792	$ 221,920

*During 2018, the District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also during 2018, the District removed sick leave from its calculation of compensated absences. See Note 13.

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term liabilities as of June 30, 2018:

	Unclaimed Bond Funds	Compensated Absences	Post-Employment Benefits	Total
Current Portion	$ -	$ 35,826	$ -	$ 35,826
Long-Term Portion	5,023	11,279	169,792	186,094
Total	$ 5,023	$ 47,105	$ 169,792	$ 221,920

Unclaimed Bonds

All outstanding bonds matured on June 1, 1987 and do not earn any interest from that date. At June 30, 2018, the balance remaining of unclaimed bonds is $5,023.

Compensated Absences

At June 30, 2018, employees of the District have accumulated and vested $47,105 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

Post-Employment Benefits

The District follows the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for its defined benefit OPEB plan. This standard revised and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attributes that present value to periods of employee service.

Plan Description - The District's other postemployment benefit (OPEB) plan is a single-employer defined benefit OPEB plan administered by the District. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the District. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*. The Plan does not issue a financial report.

Benefits Provided – To be eligible for the plan, employees must have attained the age of 59.5 years and employees hired after January 23, 2006 are not eligible for retiree health coverage with the District. Only two employees qualify for the plan and the plan is closed to new entrants. The plan provides, until age 65, healthcare insurance for eligible retirees through an individual health insurance plan. Benefit provisions are established through negotiations between the District and the health insurance company and are renegotiated annually. Contribution requirements are directed by the Board of Directors. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute none of their premium costs.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	2
	2

Total OPEB Liability

The District's total OPEB liability of $169,792 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs -The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%			
Salary increases	3.0%, including inflation			
Discount rate	3.87%,			
Healthcare cost trend rates	2019	8.5%	2023	6.5%
	2020	8.0%	2024	6.0%
	2021	7.5%	2025	5.5%
	2022	7.0%	2026+	5.0%

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index over the 52 weeks immediately preceding the applicable measurement dates.

Mortality rates were based on RPH 2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.

Changes in the Total OPEB Liability

Total OPEB Liability - Beginning of Year, at restated (see Note 13)	$ 162,625
Changes for the Year:	
Service cost	3,845
Interest	5,960
Difference between expected and actual experience	-
Changes in assumptions	(2,638)
Benefit payments and net transfers	-
Net changes	7,167
Total OPEB Liability - End of Year	$ 169,792

Benefit Changes - There were no changes of benefit terms for the year ended June 30, 2018.

Changes of Assumptions - The discount rate was increased to 3.87% for June 30, 2018 from 3.58% for June 30, 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	2.87%	3.87%	4.87%
Total OPEB Liability	$ 178,958	$ 169,792	$ 160,846

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District, as well a what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Changes in Healthcare Cost Trend Rates		
	1% Decrease	Discount Rate	1% Increase
	7.50%	8.50%	9.50%
Total OPEB Liability	$ 159,127	$ 169,792	$ 181,158

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $7,167. The District does not have any Deferred Outflows of Resource nor Deferred Inflows of Resources related to OPEB at June 30, 2018.

(9) Retirement Plan -

The District contributes to a Simplified Employee Pension Plan on behalf of it's employees. Contributions equal 10% of the employee) salary or wages. Employees are immediately vested. An employee is eligible to participate in the plan immediately upon employment. The plan is administered by a third party. Contribution expense for the year ended June 30, 2018 was $69,372.

(10) Risk Management -

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There have been no significant decreases in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

(11) Litigation -

There is no outstanding litigation at June 30, 2018 for which the District would expect an unfavorable outcome.

(12) Current Accounting Pronouncements -

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

Management is currently evaluating the effects of the new GASB pronouncement.

(13) Prior Period Adjustments -

Change in Accounting Principle

During the year, the District adopted the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attributes that present value to periods of employee service. GASB Statement 75 also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the plans that are within its scope. The following item has been restated as of June 30, 2017 in accordance with GASB Statement 75:

Total OPEB Liability Restated:		
Net OPEB Obligations		
at June 30, 2017, as Previously Reported	$	108,202
Increase		54,423
Total OPEB Liability at June 30, 2017,		
as Restated	$	162,625

Change in Accounting Estimates

For fiscal year end, the District changed the method for setting up its allowance for uncollectible accounts receivable. The District started reserving 100% of the accounts receivable greater than 90 days of which the majority represents final billed accounts. The District restated prior year accounts receivable (net of allowance for uncollectible accounts) to reflect this change at June 30, 2017.

Accounts Receivable (Net of Allowance for Uncollectible Accounts) Restated:		
Accounts (Net of Allowance for Uncollectible Accounts) at June 30, 2017, as Previously Reported	$	74,440
Decrease		(15,787)
Accounts (Net of Allowance for Uncollectible Accounts) at June 30, 2017, as Restated	$	58,653

In June of 2013, the District changed it policy on sick leave benefits. Effective June 3, 2013, the District no longer pays employees for unused sick leave upon termination of employment. During 2018, the District adjusted its accrual for compensated absences to remove sick leave from the calculation. The District restated prior year compensated absences to reflect this change at June 30, 2017.

Compensated Absences Restated:		
Compensated Absences at June 30, 2017, as Previously Reported	$	236,453
Decrease		(191,941)
Compensated Absences at June 30, 2017, as Restated	$	44,512

Corrections of Accounts

During the current year, it was noted that unbilled gas sales at year end were not recorded as a receivable. The District started recording unbilled gas sales at year end as a receivable. The District restated prior year unbilled gas sales to record unbilled gas sales at June 30, 2017.

Unbilled Gas Sales Restated:		
Unbilled Gas Sales at June 30, 2017, as Previously Reported	$	-
Increase		69,241
Unbilled Gas Sales at June 30, 2017, as Restated	$	69,241

During the current year, it was noted that a material accounts payable at June 30, 2017 was not recorded. The District restated prior year accounts payable to record the accounts payable at June 30, 2017.

Accounts Payable Restated:

Accounts Payable at June 30, 2017, as Previously Reported	$	21,651
Increase		20,555
Accounts Payable at June 30, 2017, as Restated	$	42,206

During the current year, it was determined that there were several items listed as outstanding on the June 30, 2017 operating bank account bank reconciliation that were duplicates or errors. The District restated prior year cash and cash equivalents to correct these items at June 30, 2017.

Cash and Cash Equivalents Restated:

Cash and Cash Equivalents at June 30, 2017, as Previously Reported	$	2,980,397
Increase		74,536
Cash and Cash Equivalents at June 30, 2017, as Restated	$	3,054,933

During the current year, it was determined that there was a journal entry recorded at year end of 2017 that caused customer deposit liability account to not balance to the customer deposit liability listing. The District restated prior year customer deposit liability to correct that adjustment at June 30, 2017.

Customer Deposits Liability Restated:

Customer Deposits at June 30, 2017, as Previously Reported	$	193,382
Increase		34,680
Customer Deposits at June 30, 2017, as Restated	$	228,062

Net Position Restated

Net position has been restated at June 30, 2017 to reflect the above prior period adjustments.

Net Position Restated:

Net Position at June 30, 2017, as Previously Reported	$	5,479,166
Increase		210,273
Net Position at June 30, 2017, as Restated	$	5,689,439

(14) Contingency - COVID-19 Pandemic -

The COVID-19 outbreak in the United States and globally has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon the District's financial condition and future results of operations, as well as upon the significant estimates and assumptions that may be utilized in reporting certain assets and liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2018

Total OPEB Liability

Service Cost	$ 3,845
Interest	5,960
Changes in Assumptions or Other Inputs	(2,638)
Net Change in Total OPEB Liability	7,167
Total OPEB Liability - Beginning	162,625
Total OPEB Liability - Ending	$ 169,792
Covered-Employee Payroll	$ 164,837
Total OPEB Liability as a Percentage of Covered-Employee Payroll	103.01%

Notes to Schedule

Benefit Changes:	None
Changes of Assumptions:	
Discount Rate:	3.87%
Mortality:	RPH-2018
Trend:	Variable

There are no plan assets accumulated in a trust to pay OPEB benefits.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 2018

Name, Title, Contact Number	Address	Compensation Received
Randy Lorio/President 225-806-0322	19665 Liberty Rd Pride, LA 70770	$ -
Larry Powenski/Vice President 225-658-0322	26929 Hagen Dr. Slaughter, LA 70777	-
Danny Allen/ Treasurer 225-964-5619	29385 Greenwell Springs Rd Greenwell Springs, LA 70739	-
Jeff Johnson	3342 Littlefarms Drive Zachary, LA 70791	-
Carroll Campbell 225-603-3609	13864 Brown Rd Central, LA 70714	-
Dianne Fletcher 225-931-8525	21363 W.J. Wicker Rd Zachary, LA 70791	-
Jeff Manchester 225-978-4193	21769 W. J. Wicker Rd Zachary, LA 70791	-
Lynn Peairs 225-921-3186	16666 Hubbs Road Pride, LA 70770	-
Nathan Lemoine 225-955-6333	10623 Ribbonwood Ave Baker, LA 70714	-
		$ -

See independent auditor's report.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2018

Agency Head Name: Thomas Smith, Operations Manager

Purpose	Amount
Salary	$ 91,561
Benefits - Insurance	12,788
Benefits - Retirement	9,156
Employer Paid Payroll Taxes	7,005
	$ 120,510

See independent auditor's report.

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

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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 THE COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board Members of
Gas Utility District No. 1 of East Baton Rouge Parish
Denham Springs, Louisiana

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 business-type activities of Gas Utility District No. 1 of East Baton Rouge Parish (the District), (a component unit of the East Baton Rouge Parish Government), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated May 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-01 and 2018-02 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2018-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-04.

The District's Response to Finding

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any assurance on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
May 5, 2021

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	x Yes	___ No
• Significant deficiencies identified?	x Yes	___ No
Noncompliance material to financial statements noted?	___ Yes	x No

B. Internal Control Over Financial Reporting

Finding 2018-01 Bank Reconciliations

Criteria:

Bank account reconciliations should be performed timely and include documentation to support that the bank statements and reconciliations were reviewed by a member of management who is not responsible for reconciling the bank accounts. Also old outstanding items on the bank reconciliation should be researched and resolved in a timely manner.

Condition:

During our current year audit, we noted the bank accounts did not appear to be reconciled timely. By not being reconciled timely, it was noted that there were old outstanding items on the bank reconciliation that were mistakes. Also, some of the old outstanding items represented employee state income tax withholding payments and employee retirement withholding payments on which no payment had been issued. Additionally, there was no evidence to support that the bank reconciliations were being reviewed by a member of management that was not responsible for reconciling the bank accounts.

Cause:

The District underwent several personnel changes during the 2017 and also the District was still recovering from the 2016 Flood. These events and changes resulted in oversight of this control.

Effect:

The lack of timely preparation of the bank reconciliations and proper review of bank reconciliations caused misstatements and late payments of liabilities to go undetected for a period of time.

Recommendation:

We recommend and the District has implemented procedures for the timely preparation of bank reconciliations and the timely review of outstanding items on bank reconciliations. We also recommend that the District implement procedures for a member of management to document their review of the bank reconciliation prepared by the third-party accountant. In addition, we recommend that a member of the board of commissioners review the monthly bank reconciliations and bank statements and document their review of the information.

Management's Response:

During this time frame, the District was shorthanded due to illness, maternity leave and retirement of their independent bookkeeper. Responsibilities normally covered by these employees were being shared amongst remaining staff. The additional workload from short staff and recovery from the 2016 Flood resulted in oversight of timely bank reconciliations.

At the end of 2019, the District hired an independent accountant to resume bank reconciliations once prepared by bookkeeper recommended by a prior CPA. After several months, the accountant recommended that we hire an accounting firm since the scope of work needed to restore integrity of the accounting records was greater than originally presumed.

In June of 2020, the District signed an engagement letter with an independent accounting firm and at present they are current with bank reconciliations. They have also been working diligently to correct the outstanding items issue.

Finding 2018-02 Timely Payment and Reporting of Liabilities

Criteria:

Liabilities for sales taxes, state income tax withholdings, and retirement withholdings should be paid and related reports remitted within the required time frames required by the various entities and agencies.

Condition:

During our current year audit, we noted that state sales tax labilities, state income tax withholdings, and retirement withholdings were not paid and reported timely. The District is required to remit state sales taxes collected on gas sales quarterly. The District remitted the state sales tax collections for all fours quarters of fiscal year 2018 in July 2020. The District is required to remit employee state income tax withholdings monthly following the month withheld from payroll paid. The District remitted the employee state income tax withholdings for April 2018, May 2018, and June 2018 in July 2020. The District is required to remit employee retirement withholdings and the District's match on the withholdings monthly following the month withheld from payroll paid. The District paid the employee retirement withholdings and District's match for several months of fiscal year 2017 and all months of fiscal year 2018 in January 2020.

Cause:

The District underwent several personnel changes during the 2017 and also the District was still recovering from the 2016 Flood. The payments related to state withholdings and retirement withholdings are paid through electronic funds transfer so no physical check is generated. When payroll is processed, the system is set to automatically create a payment for state withholdings and retirement withholdings. A District employee was then supposed to initiate the electronic funds transfer to make the actual payment. Due to change in personnel, the electronic funds transfer step was not performed. Also, since it appears that bank accounts did not appear to be reconciled timely and old outstanding items on the bank reconciliation were not researched, it was not determined that these payments were not paid until a much later date. Also, the District's state of Louisiana withhold account was closed or inactivated in June 2018 after the state made an assessment on the District and collected past due withholdings. In 2020 when it was determined that the prior period withholding had not paid, the District had to reinstate their withholding account with the State of Louisiana. Because the account had been closed or inactivated, notices were not being sent to the District to inform them of non-payment of state withholdings.

Effect:

The lack of timely preparation of the bank reconciliations and proper review of bank reconciliations caused some of the late payments of liabilities to go undetected for a period of time. By not paying these liabilities in a timely fashion, penalties and interest has been incurred by the District. Also, employees were not given timely and proper credit for their payment of the various withholdings.

Recommendation:

We recommend and the District has implemented procedures for the timely reconciliation and payment of the labilities and reports. Also, the District has implemented procedures for the timely preparation of bank reconciliations and the timely review of outstanding items on bank reconciliations.

Management's Response:

During this time frame, the District was shorthanded due to illness and maternity leave. Responsibilities normally covered by these employees were being shared amongst remaining staff. The additional workload from short staff and recovery from the 2016 Flood resulted in oversight of retirement and LA state withholding remittances. Payments including penalties and interest have been remitted, and all necessary forms have been filed. Procedures have been implemented to remit payments and filings on a monthly basis and is reviewed by independent accounting firm.

Finding 2018-03 Dual Signatures Required on Checks Greater than $2,500

Criteria:

The District's procedures for accounts payables requires dual signatures on checks issued for amounts greater than $2,500.

Condition:

During our expense test, we noted that two of the four expenses selected for testing of dual signatures on checks only had one signature on the canceled check.

Cause:

In the processing of accounts payable, the procedure to obtain a second signature was missed and the checks were released/mailed without obtaining the second signature.

Effect:

The accounts payable procedure to obtain a second signature is a control procedure in place to ensure that disbursements greater than $2,500 are reviewed and approved by a second authorized check signer. These checks were not properly reviewed and approved prior to release.

Recommendation:

We recommend the District adhere to its policy for requiring dual signatures on disbursements greater than $2,500.

Management's Response:

A safeguard is in place by the Bank of Zachary to call the District and have a verbal approval of the missing signature on the required checks. The District will immediately begin sending the missing signer to the bank and physically sign the check before the bank will process check.

C. Compliance and Other Matters

Finding 2018-04 Timely filing of Audit Report

Criteria:

Louisiana Revised Statute 24:513 requires that an annual financial report or other type report be submitted to the Legislative Auditor within six months of the close of the fiscal/calendar year.

Condition:

This deadline was not met for the year ended June 30, 2018.

Cause:

During this time frame, the District was shorthanded due to illness, maternity leave, and retirement of their independent bookkeeper.

Effect:

The District is not in compliance with applicable laws.

Recommendation:

We recommended that the District make every effort to comply with the applicable law.

Management's Response:

We will continue to make every effort to comply with this law by having alternate staff to cover for this position.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

Finding 2017 – 001 Timely filing of Audit Report

Criteria:

Louisiana Revised Statute 24:513 requires that an annual financial report or other type report be submitted to the Legislative Auditor within six months of the close of the fiscal/calendar year.

Condition:

This deadline was not met for the year ended June 30, 2017.

Cause:

The Gas District's bookkeeper/office manager experienced a family tragedy during the performance of the auditing procedures, followed by serious health issues herself.

Effect:

The District is not in compliance with applicable laws.

Recommendation:

The prior CPA recommended that the District make every effort to comply with the applicable law.

Management's Response:

We will continue to make every effort to comply with this law by having alternate staff to cover for this position.

Corrective Action:

Finding 2017-001 was not resolved in 2018 as described in finding 2018-04.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2018

HTB Hannis T. Bourgeois
CPAs + Business Advisors

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board Members of
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

We have performed the procedures enumerated below, which were agreed to by Gas Utility District No. 1 of East Baton Rouge Parish (the District) 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 July 1, 2017 through June 30, 2018. The District'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.

      Exception - The District does have written policies and procedure on budgeting. However, the written policies and procedures do not contain detail on the adoption and amending process such as time frames and percent changes requiring amendment.

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. – **No Exceptions**

c) ***Disbursements***, including processing, reviewing, and approving. – **No Exceptions.**

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). – **No Exceptions.**

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions.**

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.

   Exception – The District does have written policies and procedures for contracting; however, they do not specifically address items: (1) types of services requiring written contracts, (2) standard terms and conditions, and (3) legal review. Note: All expenses are required to go through the approval process for disbursements.

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). – **No Exceptions.**

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No Exceptions.**

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.

   Exception – The District does have written policies and procedures related to ethics; however, they do not specifically address item: (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. However, they do require employees to take the annual ethics training.

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

   Exception - The Distict does not have written policies related to debt. However,the District does not have any debt.

Bank Reconciliations

2. 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);

      Exception – Based on the dates on the bank reconciliations, all were prepared later than 2 months after the statement closing date.

   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

      Exception – There was no evidence of review by management nor a board member on the bank reconciliations.

   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.

      Exception – Three of the five accounts had items outstanding greater than 12 months. There was some documentation on some of the reconciling items but not all the items.

Collections

3. 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). – **No Exceptions.**

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (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:

   a) Employees that are responsible for cash collections do not share cash drawers/registers. – **No Exceptions.**

   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. – **No Exceptions.**

   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. – **No Exceptions.**

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. – **No Exceptions.**

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft. – **No Exceptions.**

6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #2 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. – **No Exceptions.**

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No Exceptions.**

c) Trace the deposit slip total to the actual deposit per the bank statement. – **No Exceptions.**

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).

Exceptions – We noted 3 deposits that were made more than one business day after receipt.

e) Trace the actual deposit per the bank statement to the general ledger. – **No Exceptions.**

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchasescard/fuel card/P-Card purchases or payments)

7. 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). **- No Exceptions.**

8. For each location selected under #7 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. **- No Exceptions.**

b) At least two employees are involved in processing and approving payments to vendors. **- No Exceptions.**

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. **- No Exceptions.**

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.

Exception: The signed checks are returned to the CSR clerk responsible for processing payments.

9. For each location selected under #3 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. - **No Exceptions.**

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #4, as applicable.

Exception – We noted that one of the 5 disbursements was greater than $2,500 and the canceled check only had one signature on it. Checks greater than $2,500 require two signatures.

Contracts

10. 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.

Exceptions – For the time period tested, the District did not have formal/written contracts on file for 2 of the 5 vendors reviewed and had an out of date contract for one of other vendors.

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). – **No exceptions for the 2 vendors selected that the District had an agreement/contract with during the fiscal period.**

c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment. - **For the 2 vendors selected that the District had an agreement/contract with during the fiscal period, no amendments were noted.**

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. - **No exceptions for the 2 vendors selected that the District had an agreement/contract with during the fiscal period.**

Ethics

11. 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 ethics documentation from management, and

a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. - **No Exceptions.**

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.

Exception – The District was unable to provide documentation demonstrating each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

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.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
May 5, 2021

Gas Utility District NO. 1 of East Baton Rouge Parish

10633 Greenwell Springs Port Hudson Road
Zachary, Louisiana 70791

In response to exceptions from

Independent Accountants Report on Applying Agreed Upon Procedures:

1. **a. Written Policies & Procedures- Budgeting-**
   Lacking detail on adoption and amending process.

   Remedy: All amendments on written policies must be approved by the Board of Commissioners for the District. At the next board meeting Management will present Adoption and Amending Processing to the Board of Commissioners for approval.

   f. Contracting.

   Remedy: At the next Board of Commissioners meeting, we will present the La Legislative Auditors Best Practices -Contracting document and request approval for revision to Policy Manual.

   i. Ethics- Lacking requirement that all employees verify Entity's ethics policy.

   Remedy: At the next board meeting we will present an amendment to the written policy in regard to signature verification of employees/officials having read The District's Ethics Policy.

   j. Debt Service:

   The District has no debt at this time. In the event the District acquires debt, a written policy will be put in place for approval by the Board of Commissioners.

2. **a. Bank Reconciliations- Reconciliations prepared greater than 2 months past statement date.**

   Remedy: An outside accounting firm was hired in June of 2020. After several months on scheduled office visits, bank reconciliations are current and processed monthly.

   b. Lacking management review of bank reconciliations.

   Remedy: Immediately, we will begin to email the Precedent of the Board copies of bank reconciliations and request an electronic verification that it has been reviewed. Any questions or concerns will be addressed promptly.

c. Out standing items greater than 12 months.

Remedy: This has been an ongoing issue for sometime and we are working diligently with an outside account firm since June of 2020 to address these items.

6. d. Deposits more than 1 business day after receipt.

Remedy: Practice was immediately put into place when we learned that a daily deposit is required.

8. d. Signed checks mailed by employee not responsible for processing payment.

Remedy: Practice for separation of duties was immediately put into place upon notice of employee other than processor performing this duty.

9. b. Requirement of 2 signatures on checks greater than $2500.00.

Remedy: A safe guard in place by Bank of Zachary is to have verbal approval of missing signature on required checks. Immediately the remedy is the missing signer goes to the bank and physically signs the check before the bank will process check.

10. a. Contracts

Remedy: Going forward the District will adopt and implement a policy to identify when a contract is applicable and set guidelines for required contracts.

11. b. Read/Review Entities Ethics Policy

Remedy: An additional step will be added to the online annual ethics training that each employee including officials read and sign the Districts Ethics Policy.

Sincerely,

Phyllis Sims

Phyllis Sims

Office/HR Administrator