

GAS UTILITY DISTRICT NO. 1 OF
EAST BATON ROUGE PARISH

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

JUNE 30, 2022

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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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 Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Gas Utility District No. 1 of East Baton Rouge Parish as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

The District’s 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.



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gas Utility District No. 1 of East Baton Rouge Parish's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Gas Utility District No. 1 of East Baton Rouge Parish's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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) on page 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming 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 basic 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, Schedules 2 and 3 are 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 January 9, 2024, 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 solely 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
January 9, 2024

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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 amendments 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, 2022, total assets were \$8,706,193 and exceeded liabilities in the amount of \$8,132,174 (i.e., net position). Of the total net position, \$5,419,888 was unrestricted with \$2,712,286 investment in capital assets. Total net position increased by \$320,781.
- For the year ended June 30, 2022, gas sales revenues increased by \$167,875 to \$2,824,640 or approximately 6% due to an increase in gas usage and sales by customers.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$487,207 or 23%. The majority of the increase is related to an increase in gas purchases expense of \$358,909 due to the increase in gas usage and gas sales. Also, there were increases of \$82,089 in salaries and wages, a \$30,087 increase in depreciation expense, a \$20,025 increase in fuel, and a \$23,043 increase in repairs and maintenance. Various expenses increased and decreased causing a net decrease of \$26,946.

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current Assets and Other Assets	\$ 5,993,907	\$ 5,952,011	\$ 41,896	1%
Capital Assets, Net	2,712,286	2,406,506	305,780	13%
Total Assets	<u>8,706,193</u>	<u>8,358,517</u>	<u>347,676</u>	4%
Liabilities:				
Current Liabilities	391,928	341,884	50,044	15%
Long-Term Liabilities	182,091	205,240	(23,149)	(11%)
Total Liabilities	<u>574,019</u>	<u>547,124</u>	<u>26,895</u>	5%
Net Position:				
Investment in Capital Assets	2,712,286	2,406,506	305,780	13%
Unrestricted	5,419,888	5,404,887	15,001	0.3%
Total Net Position	<u>\$ 8,132,174</u>	<u>\$ 7,811,393</u>	<u>\$ 320,781</u>	4%

Total net position (total assets less total liabilities) increased by \$320,781 for the fiscal year ending June 30, 2022.

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 2,935,345	\$ 2,765,023	\$ 170,322	6%
Nonoperating Revenues	9,299	14,096	(4,797)	(34%)
Total Revenues	<u>2,944,644</u>	<u>2,779,119</u>	<u>165,525</u>	6%
Expenses:				
Depreciation	226,570	196,483	30,087	15%
Other Operating Expenses	2,397,293	1,940,173	457,120	24%
Total Expenses	<u>2,623,863</u>	<u>2,136,656</u>	<u>487,207</u>	23%
Change in Net Position	\$ 320,781	\$ 642,463	\$ (321,682)	(50%)
Beginning Net Position	<u>7,811,393</u>	<u>7,168,930</u>	<u>642,463</u>	9%
Ending Net Position	<u><u>\$ 8,132,174</u></u>	<u><u>\$ 7,811,393</u></u>	<u><u>\$ 320,781</u></u>	4%

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 \$320,781 for the fiscal year ending June 30, 2022 as does the Condensed Statements of Net Position on the prior page.

The District's total revenues increased by \$165,525 in 2022 due to an increase in gas sales of \$167,875. The District's total expenses increased by \$487,207. The majority of the increase in expense is related to an increase in gas purchases expense of \$358,909 due to the increase in gas usage and gas sales. Also, there were increases of \$82,089 in salaries and wages, a \$30,087 increase in depreciation expense, a \$20,025 in fuel, and a \$23,043 increase in repairs and maintenance. Various expenses increased and decreased causing a net decrease of \$26,946.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending June 30, 2022, Gas Utility District No. 1 of East Baton Rouge Parish had \$2,712,286 (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, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land and Construction in Progress	\$ 22,900	\$ 22,900	\$ -	0%
Billing Software	50,830	50,830	-	0%
Buildings and Improvements	1,006,742	1,006,742	-	0%
Furniture and Fixtures	95,367	95,367	-	0%
Gas System	4,387,098	3,905,333	481,765	12%
Machinery and Equipment	892,154	892,154	-	0%
Vehicles	407,645	357,060	50,585	
Total Capital Assets	6,862,736	6,330,386	532,350	8%
Less: Accumulated Depreciation	(4,150,450)	(3,923,880)	(226,570)	6%
Net Capital Assets	<u>\$ 2,712,286</u>	<u>\$ 2,406,506</u>	<u>\$ 305,780</u>	13%

Capital Assets increased by \$305,780 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.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

STATEMENT OF NET POSITION

AS OF JUNE 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 4,465,033	\$ 4,479,477
Investments	1,037,036	1,032,141
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$32,233 and \$30,963, respectively)	47,913	37,415
Unbilled Gas Sales	88,666	62,592
	<u>136,579</u>	<u>100,007</u>
Prepaid Insurance	52,393	51,129
Total Current Assets	<u>5,691,041</u>	<u>5,662,754</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	302,796	289,187
Capital Assets:		
Land and Construction in Progress	22,900	22,900
Other Capital Assets, (Net of Accumulated Depreciation)	2,689,386	2,383,606
Total Capital Assets	<u>2,712,286</u>	<u>2,406,506</u>
Deposits	70	70
Total Non-Current Assets	<u>3,015,152</u>	<u>2,695,763</u>
Total Assets	<u>8,706,193</u>	<u>8,358,517</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	84,011	46,552
Other Accrued Payables	608	566
Compensated Absences	49,567	41,180
Customer Deposits	257,742	253,586
Total Current Liabilities	<u>391,928</u>	<u>341,884</u>
Noncurrent Liabilities:		
Total OPEB Liability	147,522	172,665
Long-Term Compensated Absences	29,546	27,552
Unclaimed Bonds	5,023	5,023
Total Long-Term Liabilities	<u>182,091</u>	<u>205,240</u>
Total Liabilities	<u>574,019</u>	<u>547,124</u>
<u>Net Position</u>		
Investment in Capital Assets	2,712,286	2,406,506
Unrestricted	5,419,888	5,404,887
Total Net Position	<u>\$ 8,132,174</u>	<u>\$ 7,811,393</u>

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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Operating Revenues:		
Gas Sales	\$ 2,824,640	\$ 2,656,765
Service Charges	102,731	91,736
Other	7,974	16,522
Total Operating Revenues	2,935,345	2,765,023
Operating Expenses:		
Gas Purchases	849,477	490,568
Salaries and Wages	767,144	685,055
Employee Benefits	139,245	148,274
Employee Retirement	75,893	68,513
Bad Debts	1,270	(4,447)
Bank Charges	15,856	13,930
Depreciation Expense	226,570	196,483
Drug Testing	1,355	2,025
Dues	8,903	9,126
Employee Training and Seminars	2,752	4,093
Fuel	42,834	22,809
Gas Purchase Fee	19,314	21,616
Insurance	87,069	84,256
Janitorial and Trash	2,280	1,680
Legal and Professional	80,830	88,160
Meter Reading	47,699	54,492
Miscellaneous	5,874	1,597
Office Expense	7,730	8,171
One Call Concept	2,685	2,750
Payroll Taxes	74,208	65,745
Penalties and Interest Expense	-	30,472
Postage	39,808	35,245
Other Post Employment Benefits	-	11,365
Public Awareness	4,613	6,062
Rental of Equipment	3,383	2,564
Repairs and Maintenance	52,191	29,148
Small Tools	3,630	905
Security	264	3,297
Supplies	9,758	9,341
Telephone	32,229	27,137
Utilities	18,999	16,224
Total Operating Expenses	2,623,863	2,136,656
Operating Income	311,482	628,367
Nonoperating Revenues (Expenses):		
Interest Income	9,299	14,096
Total Nonoperating Revenues (Expenses)	9,299	14,096
Change in Net Position	320,781	642,463
Net Position - Beginning of Year	7,811,393	7,168,930
Net Position - End of Year	\$ 8,132,174	\$ 7,811,393

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, 2022
 (With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 2,901,659	\$ 2,768,625
Cash Payments to Suppliers for Goods and Services	(1,303,338)	(972,952)
Cash Payments to Employees for Services and Benefits	<u>(1,071,210)</u>	<u>(1,004,483)</u>
Net Cash Provided by Operating Activities	527,111	791,190
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	<u>(532,350)</u>	<u>(718,709)</u>
Net Cash Used in Capital and Related Financing Activities	(532,350)	(718,709)
Cash Flows From Investing Activities:		
Purchase of Investments	(4,895)	(11,746)
Interest Income Received	<u>9,299</u>	<u>14,096</u>
Net Cash Provided by Investing Activities	<u>4,404</u>	<u>2,350</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(835)	74,831
Cash and Cash Equivalents, Beginning of Year	<u>4,768,664</u>	<u>4,693,833</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,767,829</u></u>	<u><u>\$ 4,768,664</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 4,465,033	\$ 4,479,477
Cash and Cash Equivalents, Restricted	<u>302,796</u>	<u>289,187</u>
Total Cash and Cash Equivalents	<u><u>\$ 4,767,829</u></u>	<u><u>\$ 4,768,664</u></u>

(CONTINUED)

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 311,482	\$ 628,367
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	226,570	196,483
Provision for Bad Debt	1,270	(4,447)
OPEB Expense Adjustment	(25,143)	11,365
(Increase) Decrease in Accounts Receivable	(11,768)	(13,885)
(Increase) Decrease in Unbilled Receivable	(26,074)	16,358
(Increase) Decrease in Prepaid Insurance	(1,264)	(1,586)
Increase (Decrease) in Accounts Payable	37,459	(5,698)
Increase (Decrease) in Accrued Expenses	42	(41,731)
Increase (Decrease) in Compensated Absences	10,381	4,835
Increase (Decrease) in Compensated Absences	4,156	1,129
Net Cash Provided by Operating Activities	\$ 527,111	\$ 791,190

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

(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 District of Central and one by the Mayor of the District 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 should be included in the reporting of the East Baton Rouge government as a blended component unit or separate as discrete component unit.

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 for the District 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.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

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.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

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, 2022.

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:

<u>Assets</u>	<u>Years</u>
Billing Software	5
Buildings and Improvements	25
Machinery and Equipment	5 to 12
Furniture and Fixtures	5 to 10
Vehicles	5
Gas Systems	15 to 40

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

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.

In accordance with GASB Codification Section C60, the amount of unused vacation time at June 30, 2022 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* as amended, 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. This District does not have any capital related debt related or capital related deferred inflows of resources, and as such, the component is investment in capital assets in the current year.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

- 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. Net position should be reported as restricted when constraints placed on net position use are either: (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) Imposed by law through constitutional provisions or enabling legislation.
- 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.

L. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through January 9, 2024, the date which the financial statements were available to be issued.

M. Summary Comparative Information for 2021 and Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Certain items in the 2021 columns have been reclassified to conform to the presentation in the current year financial statements. Such reclassification had no effect on the previous reported excess (deficiency) of revenues and other sources over expenditures and other uses or change in net position.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(2) Cash Deposits With Financial Institutions -

The following is a summary of deposits with financial institutions at June 30, 2022:

	Book Balance	Bank Balance
Cash on Hand	\$ 1,900	\$ -
Interest Bearing Demand Deposits	4,765,929	4,779,053
Total Cash and Cash Equivalents	4,767,829	4,779,053
Time Certificates of Deposit Held as Investments (See Note 3)	1,037,036	1,037,036
Total Deposits	<u>\$ 9,533,758</u>	<u>\$ 9,558,106</u>

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. For reporting purposes, cash and cash equivalents cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are stated at cost, which approximates market.

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. The District does not have a formal policy for custodial credit risk. 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. Even though the pledged securities may be considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana 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 by the District that the fiscal agent has failed to pay deposited funds upon demand. At June 30, 2022, the District has \$4,779,053 in demand deposits (collected bank balances) for cash and cash equivalents, in one bank. \$250,000 of the demand deposits are secured from risk by \$250,000 of federal deposit insurance and the remaining \$4,529,053 of demand deposits are secured by pledged securities. The \$4,529,053 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). At June 30, 2022, the District also has \$1,037,036 in time certificates of deposits, in one bank held as investments (See also Note 3). \$250,000 of the time certificates of deposits are secured from risk by \$250,000 of federal deposit insurance and the remaining \$787,036 of demand deposits are secured by pledged securities. The \$787,036 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(3) Investments -

As of June 30, 2022, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Cost</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Time Certificates of Deposit	<u>\$1,037,036</u>	<u>\$1,037,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The District's investments are carried at fair value, except nonparticipating investment contracts which are carried at cost. At June 30, 2022, all of the District's investments are in nonnegotiable certificates of deposits with original maturity dates over 90 days as listed above and in Note 2. 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.

(4) Receivables -

The following is a summary of receivables at June 30, 2022:

Accounts Receivable:	
Current	\$ 44,886
31-90 Days Past Due	3,027
Over 90 Days Past Due	<u>32,233</u>
Subtotal	80,146
Less: Allowance for Uncollectible Accounts	<u>(32,233)</u>
Net Accounts Receivable	<u>\$ 47,913</u>

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 \$1,270 for the year ended June 30, 2022.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

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, 2022, accrued amounts were \$88,666.

(5) Restricted Assets -

The following is a summary of restricted assets at June 30, 2022:

Restricted Cash and Cash Equivalents:	
Bond Redemption Fund	\$ 5,343
Customer Meter Deposits	<u>297,453</u>
Total Restricted Cash and Cash Equivalents	<u><u>\$ 302,796</u></u>

(6) Capital Assets -

A summary of changes in capital assets during the year ended June 30, 2022 is as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
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	1,006,742	-	-	1,006,742
Furniture and Fixtures	95,367	-	-	95,367
Gas System	3,905,333	481,765	-	4,387,098
Machinery and Equipment	892,154	-	-	892,154
Vehicles	<u>357,060</u>	<u>50,585</u>	<u>-</u>	<u>407,645</u>
Total Capital Assets being Depreciated	6,307,486	532,350	-	6,839,836
Less Accumulated Depreciation	<u>3,923,880</u>	<u>226,570</u>	<u>-</u>	<u>4,150,450</u>
Total Capital Assets being Depreciated, Net	<u>2,383,606</u>	<u>305,780</u>	<u>-</u>	<u>2,689,386</u>
Total Capital Assets, Net	<u><u>\$ 2,406,506</u></u>	<u><u>\$ 305,780</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,712,286</u></u>

Depreciation expense for the year ended June 30, 2022 was \$226,570.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(7) Accounts Payable and Accrued Liabilities -

The following is a summary of accounts payable and accrued liabilities at June 30, 2022:

Accounts Payable	\$ 84,011
Accrued Liabilities:	
Sales Tax	436
Other	<u>172</u>
Total Accrued Liabilities	<u>608</u>
Total Accounts Payable and Accrued Liabilities	<u><u>\$ 84,619</u></u>

(8) Long-Term Liabilities -

The following is a summary of the long-term obligation transactions for the year ended June 30, 2022:

	<u>Unclaimed Bond Funds</u>	<u>Compensated Absences</u>	<u>Post- Employment Benefits</u>	<u>Total</u>
Long-Term Liabilities - July 1, 2021	\$ 5,023	\$ 68,731	\$ 172,665	\$ 246,419
Additions	-	59,041	2,074	61,115
Deletions	<u>-</u>	<u>(48,659)</u>	<u>(27,217)</u>	<u>(75,876)</u>
Long-Term Liabilities - June 30, 2022	<u><u>\$ 5,023</u></u>	<u><u>\$ 79,113</u></u>	<u><u>\$ 147,522</u></u>	<u><u>\$ 231,658</u></u>

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, 2022:

	<u>Unclaimed Bond Funds</u>	<u>Compensated Absences</u>	<u>Post- Employment Benefits</u>	<u>Total</u>
Current Portion	\$ -	\$ 49,567	\$ -	\$ 49,567
Long-Term Portion	<u>5,023</u>	<u>29,546</u>	<u>147,522</u>	<u>182,091</u>
Total	<u><u>\$ 5,023</u></u>	<u><u>\$ 79,113</u></u>	<u><u>\$ 147,522</u></u>	<u><u>\$ 231,658</u></u>

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

Unclaimed Bonds

All outstanding bonds matured on June 1, 1987 and do not earn any interest from that date. At June 30, 2022, the balance remaining of unclaimed bonds is \$5,023.

Compensated Absences

At June 30, 2022, employees of the District have accumulated and vested \$79,113 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, 2022, the following employees were covered by the benefit terms:

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

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

Total OPEB Liability

The District's total OPEB liability of \$147,522 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs -The total OPEB liability in the June 30, 2022 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	4.09%		
Healthcare cost trend rates	2023 7.5%	2026 6.0%	
	2024 7.0%	2027 5.5%	
	2025 6.5%	2028 5.0%	
		2029+ 4.5%	

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 SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2021.

Changes in the Total OPEB Liability

Total OPEB Liability - Beginning of Year	\$ 172,665
Changes for the Year:	
Service cost	4,737
Interest	3,885
Difference between expected and actual experience	(27,217)
Changes in assumptions	(6,548)
Benefit payments and net transfers	-
Net changes	<u>(25,143)</u>
Total OPEB Liability - End of Year	<u><u>\$ 147,522</u></u>

Benefit Changes - There were no changes of benefit terms for the year ended June 30, 2022.

Changes of Assumptions - The discount rate increased to 4.09% for June 30, 2022 as compared to 2.19% for June 30, 2021.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

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
	3.09%	4.09%	5.09%
Total OPEB Liability	\$ 152,218	\$ 147,522	\$ 142,949

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
	6.50%	7.50%	8.50%
Total OPEB Liability	\$ 142,828	\$ 147,522	\$ 152,387

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

For the year ended June 30, 2022, the District recognized an OPEB benefit of \$25,143. The District does not have any Deferred Outflows of Resource nor Deferred Inflows of Resources related to OPEB at June 30, 2022.

(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, 2022 was \$75,893.

(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.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

(11) Litigation -

There is no outstanding litigation at June 30, 2022 for which the District would expect an unfavorable outcome.

(12) Current Year Adoption of New Accounting Standards -

The following statements of the Governmental Accounting Standards Board (GASB) are effective for the District's 2022 fiscal year. The District has adopted and implemented these statements in the preparation of the financial statements for the year ended June 30, 2022.

During the year, the District adopted GASB Statement No. 87, *Leases*. This new accounting standard no material effect on the District's financial statements.

During the year the District also adopted GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement had no material effect on the District's financial statements.

(13) Current Accounting Pronouncements -

The following statements of the Governmental Accounting Standards Board will be effective for years subsequent to the City's fiscal year 2022.

1. Statement No. 91 - *Conduit Debt Obligations (2023)*
2. Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (2023)*
3. Statement No. 96 - *Subscription-Based Information Technology Arrangements (2023)*

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

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, 2022

<u>Total OPEB Liability</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 4,737	\$ 4,165	\$ 4,222	\$ 3,792	\$ 3,845
Interest	3,885	4,401	6,585	6,718	5,960
Differences Between Expected and Actual Experience	(27,217)	-	(42,246)	3,085	(2,638)
Changes in Assumptions or Other Inputs	(6,548)	2,799	9,352	-	-
Net Change in Total OPEB Liability	(25,143)	(22,087)	(22,087)	13,595	7,167
Total OPEB Liability - Beginning	172,665	161,300	183,387	169,792	162,625
Total OPEB Liability - Ending	<u>\$ 147,522</u>	<u>\$ 172,665</u>	<u>\$ 161,300</u>	<u>\$ 183,387</u>	<u>\$ 169,792</u>
Covered-Employee Payroll	\$ 171,873	\$ 166,867	\$ 168,008	\$ 169,782	\$ 164,837
Total OPEB Liability as a Percentage of Covered-Employee Payroll	85.83%	103.47%	96.01%	108.01%	103.01%

Notes to Schedule

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>					
<i>Discount Rate:</i>	4.09%	2.19%	2.66%	3.51%	3.51%
<i>Mortality:</i>	MP-2021	MP-2021	RPH-2018	RPH-2018	RPH-2018
<i>Trend:</i>	Variable	Variable	Variable	Variable	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 SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 2022

<u>Name, Title, Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
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	-
Todd McKey 225-270-5061	4584 Little Farms Dr, Zachary, LA 70791	-
Carroll Campbell 225-603-3609	7077 Exchequer Baton Rouge, LA 70808	-
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	-
		<u>\$ -</u>

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, 2022

Agency Head Name: Thomas Smith, Operations Manager

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 100,023
Benefits - Insurance	16,138
Benefits - Retirement	10,002
Employer Paid Payroll Taxes	7,651
	<u>\$ 133,814</u>

See independent auditor's report.

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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BOURGEOIS**

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INDEPENDENT AUDITOR'S REPORT

Board Members of
Gas Utility District No. 1 of East Baton Rouge Parish
Zachary, 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, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated January 9, 2024.

Report 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) as a basis for designing 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.

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. *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 was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 responses as item 2022-01.

The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion the response.

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 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 Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
January 9, 2024

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

	Yes	x	No
	Yes	x	None Noted
- Significant deficiencies identified?

	Yes		None Noted
	Yes	x	None Noted

Noncompliance material to financial statements noted?

x	Yes		No
	Yes	x	No

B. Internal Control Over Financial Reporting

None.

C. Compliance and Other Matters

Finding 2022-01 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, 2022.

Cause:

In the past, 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, 2022

A. Internal Control Over Financial Reporting

Finding 2021-01 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.

Condition:

During our prior year audit, we noted that the June 30, 2021, bank accounts did not appear to be reconciled timely. 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:

In July and August 2021, there was an outbreak of COVID in the District's office. These events delayed the preparation of the June 30, 2021, bank reconciliation for several months.

Effect:

The lack of timely preparation of the bank reconciliations and proper review of bank reconciliations exposes the District to the risk of misstatement of assets and inaccurate or fraudulent financial reporting.

Recommendation:

The District had implemented procedures for timely preparation of bank reconciliations and has made significant progress in this area since 2020. However, since we did note this instance, we continued to recommend the timely preparation of bank reconciliations and the timely review of outstanding items on bank reconciliations be performed. We also continued to 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 as well.

Management's Response:

During this time frame, the District did have an outbreak in COVID in the office that caused a delay in the timely preparation of bank reconciliations. We do have procedures in place for the timely reconciliation of bank reconciliations. This was an isolated incident. Also, we will implement procedures to document management's review and a member of the board of commissioners review of the monthly bank reconciliations and bank statements.

Corrective Action:

The finding was resolved in the current year.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-02 Timely Payment and Reporting of Liabilities

Criteria:

Liabilities for state income tax withholdings should be paid and the related reports remitted within the required time frames required by the state of Louisiana.

Condition:

During our prior year audit, we noted that the state income tax withholdings for the month of June 30, 2021, were not paid and reported timely.

Cause:

In July and August 2021, there was an outbreak of COVID in the District's office. These events delayed the preparation of the June 30, 2021, state income tax withholding reporting and the remittance of the state income tax withholdings.

Effect:

The timely reporting and remittance of state income tax withholding for the month of June 30, 2021, did not occur. By not paying this liability in a timely fashion, penalties and interest have been incurred by the District

Recommendation:

The District has implemented procedures for the timely reconciliation of liabilities, payment of the liabilities, and submission of reports and has made significant progress in this area since 2020. However, since we did note this instance, we continued to recommend that the District timely prepare applicable reconciliations, and timely remit payment of the liabilities and reports by the applicable deadlines.

Management's Response:

During this time frame, the District did have an outbreak of COVID in the office that caused a delay in the timely preparation of the reconciliation, the remittance of the withholdings and completion of the reporting. We do have procedures in place for the timely preparation of the reconciliation of liabilities, the remittance of the withholdings and completion of the reporting. This was an isolated incident.

Corrective Action:

The finding was resolved in the current year.

B. Compliance and Other Matters

Finding 2021-03 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.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

Condition:

This deadline was not met for the year ended June 30, 2021.

Cause:

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

Effect:

The District was 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

Corrective Action:

This deadline was not met for the year ended June 30, 2022. See current year finding 2022-01.

GAS UTILITY DISTRICT NO. 1 OF EAST
BATON ROUGE PARISH

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2022



**HANNIS T.
BOURGEOIS**

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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

And the Louisiana Legislative Auditor

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, 2021 through June 30, 2022. The District’s management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Exception – The District does have written policies and procedure on budgeting. However, it does not go into 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Exception – The District has written policies and procedures for item (1) and (2). However, the District does not have a formal written policy for the (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

- 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 (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity’s ethics policy.

Exception – The District does have written policies and procedures related to ethics; however, they do not specifically address item: (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity’s ethics policy. 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 District does not have formal written policies related to debt. However, the District does not have any debt.

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

Exception – The District does have a written emergency plan for operations of the gas system of the District in the event of a disaster. However, the plan does not address items (1) through (6) above.

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

Exception – The District has written policies and procedures for item (1). However, the District does not have formal written policies for (2) annual employee training and (3) annual reporting.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document. – **No exceptions.**
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. – **No exceptions.**
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund. – **Note** - There was no negative unassigned fund balance noted in the prior year audit report.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain, and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged); – **No exceptions.**
 - 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 – **No exceptions.**
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No exceptions.**

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5). – **No exceptions.**
5. 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 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/official verifies the reconciliation. – **No exceptions.**
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period. – **No exceptions.**
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered. – **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 the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer). – **No exceptions.**
 - 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 purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5). – **No exceptions.**
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. – **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. – **No exceptions.**
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity. – **No exceptions.**
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable. – **No exceptions.**

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **No exceptions.**
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. – **No exceptions.**
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Exception – On one of the five statements selected for testing, finance and late fees were assessed.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny. – **No exceptions.**

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected: **Note** - For the fiscal period, the District did not have any travel reimbursements.
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov). – **N/A.**
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **N/A.**
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h). – **N/A.**
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **N/A.**

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **No exceptions.**
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter). – **No exceptions.**
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented). – **No exceptions.**
 - 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 the invoice and related payment agreed to the terms and conditions of the contract. – **No exceptions.**

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. – **No exceptions.**
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.) – **No exceptions.**
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials. – **No exceptions.**
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records. – **No exceptions.**
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file. – **No exceptions.**
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy. – **Note** – There were no terminations during the fiscal period.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines. – **No exceptions.**

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. – **No exceptions.**
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable. – **Note** – There were no changes to the District's ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued. – **Note** – The District did not issue any bonds/notes or other debt instruments during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants). – **Note** – The District did not have any debt outstanding during the fiscal period.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled. **Note** – There were no misappropriations of public funds or assets during the fiscal period.
24. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. – **No exceptions.**

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported. – **We performed the procedure and discussed the results with management.**
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months. – **We performed the procedure and discussed the results with management.**
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor. – **We performed the procedure and discussed the results with management.**

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Exception - The District's employees/officials did not complete at least one hour of sexual harassment training during the calendar year.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website). – **No exceptions.**
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a Exception that sexual harassment occurred;.
 - d) Number of complaints in which the Exception of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exception - The District did not prepare an annual sexual harassment report for the fiscal period. Also, none of the District's employees/officials completed at least one hour of sexual harassment training during the calendar year. However, the District indicated that they did not have any sexual harassment complaints during the fiscal period.

Management's Response/Corrective Action to Exceptions

Management's Response/Corrective Action to Exceptions - The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

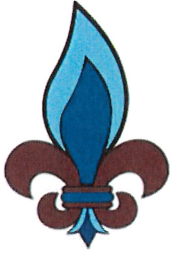
We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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
January 9, 2024



Gas Utility District No. 1 of East Baton Rouge Parish

10633 Greenwell Springs Port Hudson Road
Zachary, Louisiana 70791

RE: In response to exceptions from

Independent Accountants Report on Applying Agreed Upon Procedures:

Written Policies and Procedures

1. a) **Budget**

Remedy: The District will amend its policy in more detail on adopting, amending, time frames and percent changes according to best practices of LLA.

e) **Payroll/Personnel**

Remedy: The District does have a process we do for 3. and 4. We will now make sure this process is added to our current policy to be in compliance with the LLA.

f) **Contracting**

Remedy: The District will review the LLA best practices for 1,2 and 3 and add them to our current policy.

i) **Ethics**

Remedy: The District will add 4 to our current policy regarding signature verification for Employees and Commissioners of the board that they have read the Districts Ethics Policy.

j) **Debt Service**

Remedy: The District will add a policy on Debt in the event we due have debt according to best practices of the LLA.

k) **Information technology Disaster Recovery/Business Continuity**

Remedy: The District will add a policy for items 1 through 6 to our emergency plan policy.

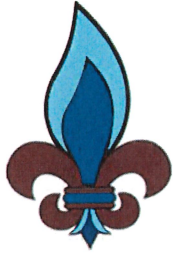
l) **Sexual Harassment**

Remedy: The District will add 2 and 3 to our policy according to the LLA best practices.

Credit Cards/Debit Cards/Fuel Cards/P Cards

12. b) **Finance and Late Fee**

Remedy: We have since put our credit cards on ACH to be paid on the due date.



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26. Sexual Harassment

Remedy: The District going forward will make sure every employee takes the 1 hour Sexual Harassment Training during the year.

- 28. Remedy:** The District going forward will make sure a report is completed on for all Employee's/officials on or before February 1st of each fiscal year. The report will include applicable the requirements of R.S. 42:344:

Sincerely,

Phyllis Sims
Office/HR Administrator