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GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENT
AUGUST 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAR 10 1999

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
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October 28, 1998

INDEPENDENT AUDITOR'S REPORT

Gas Utility District #2
East Feliciana Parish
Clinton, Louisiana

I have audited the accompanying general purpose financial statements of

GAS UTILITY DISTRICT #2
EAST FELICIANA PARISH

a component of East Feliciana Parish Police Jury as of and for the year ended August 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

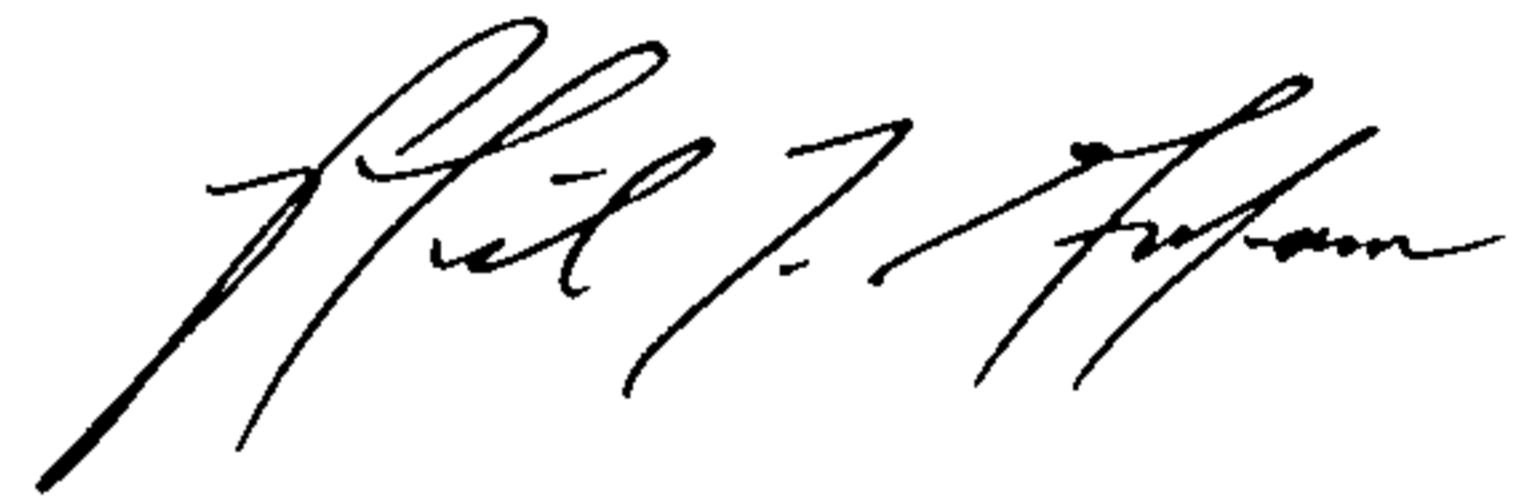
In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District #2 of East Feliciana Parish as of August 31, 1998, and the results of its operations and the cash flows for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 28, 1998, on my consideration of Gas Utility District #2 of East Feliciana Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts

Gas Utility District #2
East Feliciana Parish
October 28, 1998
Page 2

and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of Gas Utility District #2 of East Feliciana Parish, taken as a whole. The accompanying schedule of expenditures for federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements Gas Utility District #2 of East Feliciana Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
BALANCE SHEET
AUGUST 31, 1998

(WITH COMPARATIVE DATA AS OF AUGUST 31, 1997)

ASSETS

	AUGUST 31,	
	1998	1997
<u>CURRENT ASSETS</u>		
Cash	\$ 73,942	\$ 237,108
Accounts receivable	55,940	57,450
Less: allowance for doubtful accounts	(26,500)	(25,700)
Prepaid insurance	7,497	6,902
Inventory	7,577	7,577
Interest receivable	157	2,126
	118,613	285,463
<u>RESTRICTED ASSETS</u>		
Revenue bond sinking fund	34,543	37,642
Revenue bond and reserve fund	54,258	51,794
Capital additions and contingencies fund	236,832	236,572
Highway 63 sinking fund	9,783	9,382
1988 Gas utility revenue bond reserve fund	9,024	7,988
1988 Gas depreciation and contingency fund	10,183	9,049
Interest receivable	386	244
	355,009	352,671
<u>UTILITY PLANT AND EQUIPMENT</u>		
Plant and equipment	1,273,158	1,153,155
Less: accumulated depreciation	(775,269)	(733,293)
	497,889	419,862
Land	31,000	5,000
	528,889	424,862
<u>OTHER ASSETS</u>		
Deposits	15	15
	15	15
<u>Total Assets</u>	<u>\$1,002,526</u>	<u>\$1,063,011</u>

LIABILITIES AND FUND EQUITY

	AUGUST 31,	
	1998	1997
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,528	\$ 3,510
Payroll withholdings	315	1,318
Sales tax	444	494
Accrued salaries	4,443	3,957
Customer meter deposits	53,467	48,665
	67,197	57,944
<u>CURRENT LIABILITIES (payable from restricted assets)</u>		
Revenue bonds payable - current portion	35,000	42,000
Bonds payable - FHA	7,653	7,237
Accrued interest payable	6,157	7,547
	48,810	56,784
<u>LONG-TERM DEBT</u>		
Revenue bonds payable - long-term	47,000	82,000
Long-term debt - other	151,492	159,145
	198,492	241,145
<u>Total Liabilities</u>	314,499	355,873
<u>NET ASSETS</u>		
Contributed capital	65,791	65,791
Retained earnings:		
Reserved for bond and interest retirement	64,955	57,569
Reserved for contingency	224,847	245,621
Unreserved	332,434	338,157
	622,236	641,347
<u>Total Net Assets</u>	688,027	707,138
<u>Total Liabilities and Net Assets</u>	\$1,002,526	\$1,063,011

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED AUGUST 31, 1998
(WITH COMPARATIVE DATA AS OF AUGUST 31, 1997)

	UNRESERVED RETAINED EARNINGS	RESERVED RETAINED EARNINGS FOR BOND SERVICE & CONSTRUCTION	TOTAL RETAINED EARNINGS
Balances - August 31, 1996	371,005	269,017	640,022
Net Income	1,325		1,325
Transfer (to) from restricted assets	<u>(34,173)</u>	<u>34,173</u>	<u> </u>
Balances - August 31, 1997	<u>\$ 338,157</u>	<u>\$ 303,190</u>	<u>\$ 641,347</u>
Net Income (Loss)	(19,111)		(19,111)
Transfer (to) from restricted assets	<u>13,388</u>	<u>(13,388)</u>	<u> </u>
Balances - August 31, 1998	<u>\$ 332,434</u>	<u>\$ 289,802</u>	<u>\$ 622,236</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF REVENUES AND EXPENSES
PERCENT OF TOTAL OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 1998
(WITH COMPARATIVE DATA FOR THE YEAR ENDED AUGUST 31, 1997)

	<u>AUGUST 31,</u> <u>1998</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>	<u>AUGUST 31,</u> <u>1997</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>
<u>OPERATING REVENUES</u>				
Gas sales	\$ 405,380	98.5	\$ 401,718	98.5
Service charges	340	.1	207	.1
Penalties	<u>5,943</u>	<u>1.4</u>	<u>5,966</u>	<u>1.4</u>
	<u>411,663</u>	<u>100.0</u>	<u>407,891</u>	<u>100.0</u>
<u>COST OF REVENUES</u>				
Gas purchased	<u>193,866</u>	<u>47.1</u>	<u>203,728</u>	<u>49.9</u>
<u>GROSS PROFIT</u>	<u>217,797</u>	<u>52.9</u>	<u>204,163</u>	<u>50.1</u>
<u>OPERATING EXPENSES</u>				
Billing expense	2,115	.5	2,212	.5
Board of Director fees	8,400	2.0	8,025	2.0
Collection fees	1,263	.3	873	.2
Customer interest	639	.2	896	.2
Depreciation	41,976	10.2	40,284	9.9
Insurance	23,633	5.7	20,010	4.9
Legal and professional fees	9,154	2.2	10,052	2.5
Miscellaneous	2,151	.5	879	.2
Office supplies	4,914	1.2	3,704	.9
Other taxes	1,554	.4	0	.0
Payroll taxes	6,843	1.7	5,431	1.3
Penalties	692	.2	41	.0
Rent	800	.2	1,000	.3
Repairs and maintenance	32,197	7.9	24,722	6.1
Retirement Plan	2,555	.6	2,645	.7
Salaries	83,360	20.2	70,568	17.3
Telephone	2,626	.6	1,420	.4
Travel	445	.1	37	.0
Uniforms	2,576	.6	1,810	.4
Utilities	1,985	.5	512	.1
Vehicles	<u>8,100</u>	<u>2.0</u>	<u>11,547</u>	<u>2.8</u>
	<u>237,978</u>	<u>57.8</u>	<u>206,668</u>	<u>50.7</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(20,181)</u>	<u>(4.9)</u>	<u>(2,505)</u>	<u>(.6)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF REVENUES AND EXPENSES
PERCENT OF TOTAL OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 1998
(WITH COMPARATIVE DATA FOR THE YEAR ENDED AUGUST 31, 1997)
(Concluded)

	<u>AUGUST 31,</u> <u>1998</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>	<u>AUGUST 31,</u> <u>1997</u> <u>AMOUNT</u>	<u>% OF</u> <u>TOTAL</u> <u>OPERATING</u> <u>REVENUE</u>
<u>NONOPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Interest income	\$ 16,847	4.1	\$ 21,147	5.2
Miscellaneous	636	.2	910	.2
Interest expense	(15,613)	(3.8)	(18,027)	(4.4)
Bad debts	(800)	(.2)	(200)	(.1)
	<u>1,070</u>	<u>.3</u>	<u>3,830</u>	<u>.9</u>
 <u>NET INCOME (LOSS)</u>	 <u>\$ (19,111)</u>	 <u>(4.6)</u>	 <u>\$ 1,325</u>	 <u>.3</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 1998
(WITH COMPARATIVE DATA FOR THE YEAR ENDED AUGUST 31, 1997)

	<u>AUGUST 31,</u> <u>1998</u>	<u>1997</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income (loss)	\$ (19,111)	\$ 1,325
Noncash items included in net income		
Depreciation	41,976	40,284
Provision for bad debts	800	200
Net (increase) decrease in:		
Accounts receivable	1,510	(17,245)
Prepaid insurance	(595)	324
Inventory	0	0
Interest receivable	1,969	490
Net increase (decrease) in:		
Accounts payable	5,018	(7,932)
Payroll withholdings	(1,003)	1,065
Sales tax	(50)	(31)
Accrued salaries	486	(427)
Customer meter deposits	4,802	2,215
Accrued interest payable	(1,390)	(1,784)
	<u>34,412</u>	<u>18,484</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	<u>(146,003)</u>	<u>(2,480)</u>
	<u>(146,003)</u>	<u>(2,480)</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in assets restricted for debt service	(2,338)	(31,872)
Payment of revenue bonds	(42,000)	(40,000)
Payment of long-term debt	<u>(7,237)</u>	<u>(6,844)</u>
	<u>(51,575)</u>	<u>(78,716)</u>
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>		
<u>NET INCREASE (DECREASE) IN CASH</u>	163,166	(62,712)
<u>CASH AT BEGINNING OF YEAR</u>	<u>237,108</u>	<u>299,820</u>
<u>CASH AT END OF YEAR</u>	<u>73,942</u>	<u>237,108</u>
<u>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</u>		
Cash paid during the period for interest	<u>\$ 15,613</u>	<u>\$ 18,027</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This fund is a proprietary fund of the East Feliciana Parish Police Jury. A proprietary fund, also known as enterprise fund, is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A. Basis of accounting

The records of Gas District #2 are maintained on an accrual basis of accounting. This method recognizes revenues when they are earned, and expenses when they are incurred. As a result, the financial statements are in conformity with generally accepted accounting principles.

B. Accounts receivable - Customers

The District's billing cycle may extend into the subsequent year. If that should be the case, accounts receivable at August 31, 1998 has been adjusted to allow for a year end cut-off date.

Provision for uncollectible accounts receivable represents 100% of accounts receivable due from customers whose services have been discontinued at year end. Receivables over 30 days old for active accounts were \$2,481 and \$2,402 as of August 31, 1998 and 1997, respectively. Receivables over 30 days old for inactive accounts were \$26,413 for the year ended August 31, 1998 and \$25,080 for the year ended August 31, 1997.

C. Taxes

The Gas Utility District is exempt from paying federal and state income tax. All local, state and federal payroll taxes are paid current.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposited funds

All funds collected by the Gas Utility District are deposited into institutions insured by the Federal Government.

August 31, 1998 cash deposits were adequately collateralized by the depository institution as required by state statutes.

E. Reporting entity

The accompanying financial statements include only the accounts and transactions of Gas Utility District #2 of East Feliciana Parish. The Gas Utility District is owned and operated by the East Feliciana Parish Police Jury which is the governing authority of East Feliciana Parish, Louisiana. The governing authority appoints members of the Gas District's Board of Directors. The Board exercises all administrative functions with respect to the operation and management of the Gas District.

F. Inventory

Inventory is determined utilizing the lower of cost or market based on the average cost valuation method. Physical inventory is conducted once a year. Inventory is primarily meters, pipes, etc. and is maintained at approximately the same quantities from year to year.

G. Plant and equipment

Plant and equipment are stated at cost and do not purport to represent replacement or realizable values. The cost of depreciable property, plant and equipment is charged to earnings over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue. Depreciation of all depreciable property, plant and equipment is computed using the straight-line method over the following lives:

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>ASSET</u>	<u>ESTIMATED USEFUL LIVES</u>	<u>AUGUST 31, 1998</u>	
		<u>COST</u>	<u>NET</u>
Gas System	5-40 years	\$1,051,935	\$351,769
Furniture & equipment	3-8 years	32,612	13,039
Vehicles	3-5 years	75,145	21,467
Building & improvements	10-40 years	113,466	111,614
Land		31,000	31,000
		<u>\$1,304,158</u>	<u>\$528,889</u>

Plant and equipment included \$68,020 of fully depreciated assets as of August 31, 1998.

H. Cash and Cash Equivalents

Under state law, Gas Utility District # 2 of East Feliciana Parish may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At August 31, 1998, the carrying amount of the District's deposits (cash and certificates of deposit) was \$428,540 and the bank balance was \$432,834. The entire balance throughout the year was covered by federal depository insurance or collateral held by the District's agent in the District's name.

At August 31, 1998, the District carrying balances in unrestricted cash and cash equivalents are as follows:

Petty cash	\$ 25
Demand deposits	<u>73,917</u>
Total	<u>73,942</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance should equal the amount on deposit with the fiscal agent. The pledge of approved securities is waived only to the

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

extent of the dollar amount of Federal Deposit Insurance Corporation insurance. The carrying value of pledged securities at year end was \$500,000 (Tennessee Valley Authority Bonds) and \$69,538 (Federal National Mortgage Association (FNMA) note) which approximates market.

Bank account balances at August 31, 1998 are as follows:

Bank balances	\$ 428,540
Federal deposit insurance	<u>192,269</u>
Balance uninsured	<u>\$ 236,271</u>

Bank balance which is collateralized with securities held by the pledging financial institution's agent in the Gas District's name	<u>\$ 569,538</u>
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For the purpose of the Statement of Cash Flows, cash equivalents are considered to be highly liquid, nonrestricted investments with maturities of six months or less.

Unrestricted cash consists of the following:

Checking, interest bearing	\$ 36,483
Checking, non-interest bearing	4,341
Certificates of deposit	<u>33,118</u>
	<u>73,942</u>

Restricted cash consists of the following:

Revenue bond sinking fund, savings	34,543
Revenue bond reserve fund, savings	54,258
Capital additions & contingencies, savings	26,354
Capital additions & contingencies, CD's	210,478
Highway 63 sinking fund, savings	9,783
1988 Gas utility revenue bond reserve fund, savings	9,024
1988 Gas depreciation & contingency fund, savings	<u>10,183</u>
	<u>354,623</u>
Total	<u>\$ 428,565</u>

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Comparative Data

Comparative data for the prior period has been presented in the accompanying financial statements to provide an understanding of the changes in the District's financial position and operations.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

NOTE #2: PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment at August 31, 1998:

	<u>BALANCE</u> <u>8/31/97</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>8/31/98</u>
Land	\$ 5,000	26,000		\$ 31,000
Gas system	1,051,935			1,051,935
Equipment	26,075	\$ 6,537		32,612
Building	0	113,466		113,466
Vehicles	75,145		\$	75,145
	<u>\$ 1,158,155</u>	<u>\$ 146,003</u>	<u>\$ 0</u>	<u>\$ 1,304,158</u>

NOTE #3: RESTRICTED ASSETS

The Revenue Bond Resolution, Section 8, adopted the 29th day of January 1970 on outstanding Gas Utility Revenue Bonds dated March 1, 1970, provides for all income and revenue (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utility System to be pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special accounts: Revenue Bond Sinking Account and Revenue Bond Reserve Account.

A. Gas System Account entire revenue of the system shall be deposited as collected into an account known as the Gas System

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #3: RESTRICTED ASSET (CONTINUED)

Account. Said account shall be maintained and administered for the purpose of the payment of all reasonable and necessary expenses for administration, operations, and maintenance of the System.

B. Revenue Bond Sinking Account

The establishment and maintenance of a Revenue Bond Sinking Account sufficient in amount to pay promptly and fully the principle and the interest on the bonds is herein authorized. The funding of this account will be accomplished by transferring monthly in advance on or before the 20th of each month, of each year, a sum equal to one-sixth (1/6) of the interest falling due on the next interest payment date, and a sum equal to one twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. As of August 31, 1998, the Gas Utility District has complied with the Sinking Fund requirements.

C. Revenue Bond Reserve Account

The establishment and maintenance of a Revenue Bond Reserve Account by depositing simultaneously with the bond proceeds and thereafter by transferring from the Gas System Account monthly in advance on or before the 20th of each month of each year, a sum at least equal to 20% of the amount required to be paid into the aforesaid Revenue Bond Sinking Account. The payments into the Revenue Bond Reserve Account are to continue until such time as there has been accumulated therein the sum of \$45,000, the money in said Revenue Bond Reserve Account to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the aforesaid Revenue Bond Sinking Account as to which there would otherwise be default. As of August 31, 1998, the Revenue Bond Reserve Account is in compliance with the above requirements.

D. Capital Additions and Contingencies Account

The establishment and maintenance of a Capital Additions and Contingencies Account to pay for extensions, additions,

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #3: RESTRICTED ASSETS (CONTINUED)

improvements, renewals and replacements necessary to properly operate the System by transferring from said Gas System Account monthly on or before the 20th day of each year, a sum at least equal to 5% of the gross revenues of the System for the preceding month, provided that such sum is available after provisions made for the funds required under paragraphs listed above. The payments into said Account shall continue as long as any of the bonds herein authorized by the resolution are outstanding. The money in said Capital Additions and Contingencies Account shall also be used to pay the principal of and the interest on the bonds herein authorized, for the payment of which there is not sufficient money in the Revenue Bond Sinking Account or Revenue Bond Reserve Account, but the money in said account shall never be used for the making of replacements to the system if such use of said money will leave in said Capital Additions and Contingencies Account for the making of emergency repairs or replacements less than the sum of \$2,000. As of August 31, 1998, the Capital Additions and Contingencies Account is in compliance with the Resolution. Any money in excess of \$2,000 remaining in said Gas System Account at the close of each fiscal year after making the above required payments shall be deposited in the Revenue Bond Reserve Account until there is on deposit the maximum amount required after which time said money may be used by the District for the purpose of retirement bonds in advance of their maturities. As of August 31, 1998, the maximum amount required (\$45,000) is on deposit in the Revenue Bond Reserve Account.

On February 8, 1988 the District adopted a second Revenue Bond Resolution on outstanding Gas Utility District Revenue Bonds dated April 7, 1988, for the purpose of financing improvements and extensions to the gas utility system of the District. The resolution provides for all income and revenues derived by the District from the operation of the system, after giving priority to payment of reasonable and necessary expenses of operating and maintaining the system and maintenance of the Revenue Bond Sinking Account, Revenue Bond Reserve Account, and Capital Additions and Contingency Account, to be pledged and dedicated to the retirement of said bonds dated April 7, 1988, and are to be set aside in the following special accounts:

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #3: RESTRICTED ASSETS (CONTINUED)

A. 1988 Gas Utility Revenue Bond and Interest Sinking Account

The establishment and maintenance of a 1988 Gas Utility Revenue Bond and Interest Sinking Account sufficient in amount to pay promptly and fully the principal and interest on the bonds herein authorized. The funding of this account will be accomplished by transferring from the Gas System Account monthly in advance on or before the 20th day of each month of each year a sum equal to one-twelfth (1/12) of the total amount of principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. As of August 31, 1998, the Gas Utility District has complied with the Sinking Fund requirements.

B. 1988 Gas Utility Revenue Bond Reserve Account

The establishment and maintenance of a 1988 Gas Utility Revenue Bond Reserve Account by transferring from the Gas System Account monthly in advance on or before the 20th day of each month of each year, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the bonds, a sum at least equal to five percent (5%) of the amount to be paid into the 1988 Gas Utility Revenue Bond and Interest Sinking Account. The payments into the 1988 Gas Utility Revenue Bond Reserve Account are to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest falling due in any year on the bonds, the money to be retained solely for the purpose of paying the principal of and interest on bonds payable from the aforesaid 1988 Gas Utility Revenue Bond and Interest Sinking Account as to which there would otherwise be default. As of August 31, 1998, the 1988 Gas Utility Revenue Bond Reserve Account is in compliance with the above requirements.

C. 1988 Gas Depreciation and Contingency Account

The establishment and maintenance of a 1988 Gas Depreciation and Contingency Account to pay for depreciation, extensions, additions, improvements and replacements necessary to properly

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #3: RESTRICTED ASSETS (CONTINUED)

operate the System by transferring from the Gas System Account monthly in advance on or before the 20th day of each month of each year, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the bonds, the sum of \$76 per month. The money in the 1988 Gas Depreciation and Contingency Account shall also be used to pay the principal of and the interest on any bond for the payment of which there is not sufficient money in the 1988 Gas Utility Revenue Bond and Interest Sinking Account or the 1988 Gas Utility Revenue Reserve Account, but if so used such money shall be replaced as soon as possible out of the earnings of the System after making the required payments into the respective accounts herein above set out. As of August 31, 1998, the 1988 Gas Depreciation and Contingency Account is in compliance with the above requirements.

NOTE #4: VACATION AND SICK LEAVE

The Gas District employees are paid for vacation time used. They may carry up to one week over to the next year. Employees may accrue up to ninety days of unused sick leave. Unused sick leave is not paid upon retirement or termination.

Accrued vacation in the amount of \$4,443 has been reflected as part of accrued salaries in current liabilities. Any balance in accrued salaries is amounts earned in August but not paid until September due to the payroll cut off date.

NOTE #5: BONDS PAYABLE

The following is a summary of the Gas Utility Revenue Bond transactions of the Gas Utility District #2 of East Feliciana Parish, for the year ended August 31, 1998:

Revenue bonds payable, beginning of year	\$ 124,000
Revenue bonds retired, during the year	<u>42,000</u>
Revenue bonds payable, end of year	<u>\$ 82,000</u>

Bonds payable are comprised of the following individual issue:

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #5: BONDS PAYABLE (CONTINUED)

\$415,000 - Gas Utility Revenue Bonds dated March 1, 1970; due in annual installments of various amounts through March 1, 2000; interest at 6%, payable semi-annually.

The annual requirements to amortize all bonds outstanding as of August 31, 1998, including interest payments of \$7,740 are as follows:

<u>YEAR ENDING</u> <u>AUGUST 31,</u>	<u>ANNUAL</u> <u>REQUIREMENTS</u>
1999	39,920
2000	49,820
TOTAL:	<u>\$ 89,740</u>

NOTE #6: LONG-TERM DEBT

As of August 31, 1998, Long-term Debt - Other consists of the following:

U. S. Department of Agriculture - Farmer's Home Administration	\$ 159,145
\$16,803.20 due annually including interest at 5.75%	
Less amounts due within one year	<u>(7,653)</u>
	<u>\$ 151,492</u>

Following are maturities of bonds payable-FHA for each of the next five years:

<u>YEAR ENDED</u> <u>AUGUST 31,</u>	<u>PRINCIPAL</u> <u>MATURITY</u>	<u>INTEREST</u> <u>MATURITY</u>	<u>TOTAL</u> <u>DEBT SERVICE</u>
1999	7,653	9,151	16,804
2000	8,093	8,711	16,804
2001	8,559	8,245	16,804
2002	9,051	7,753	16,804
2003	9,571	7,233	16,804
Beyond 5 years	<u>116,218</u>	<u>36,188</u>	<u>152,406</u>
	<u>\$159,145</u>	<u>\$ 77,281</u>	<u>\$236,426</u>

Principal payments during the current year totalled \$7,237.

NOTE #7: PENSION PLAN

The District established a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(b) for

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1998

NOTE #7: PENSION PLAN (CONTINUED)

employees who meet the eligibility requirements set forth in the plan. Employer contributions are determined as a percent of compensation paid each year to eligible participants. The employer contributions for 1998 were \$2,555. The plan is administered by independent plan administrators through administrative service agreements.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred amount for each participant.

On August 20, 1996, the President signed into law the Small Business Job Protection Act of 1996. The Act includes certain changes of Section 457 plans increasing protection for participants' investments. Under this Act, Section 457 plan assets will be held in a trust, custodial account, or annuity contract to protect participant assets from creditors of a bankrupt or financially troubled public jurisdiction. Existing plans have until January 1, 1999, to comply with this requirement. This provision does not reduce the District's rights as an entity to select and change investment options associated with 457 plan assets, however, it does impact how those assets will be held. Future deferrals to non-annuity investments such as life insurance and mutual funds will be held in a trust or custodial account.

NOTE #8: COMPENSATION PAID TO BOARD MEMBERS

<u>Board Member</u>	<u>Meetings</u>	<u>Amount</u>	<u>Term Expires</u>
Minnie Douglas	25	1,875	January, 2000
Eileen Siebert	23	1,725	January, 1999
Frank Milligan	23	1,725	January, 2002
John Strain	19	1,425	January, 2001
Maurice Whitcomb	22	1,650	January, 2003
		<u>\$8,400</u>	

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October 28, 1998

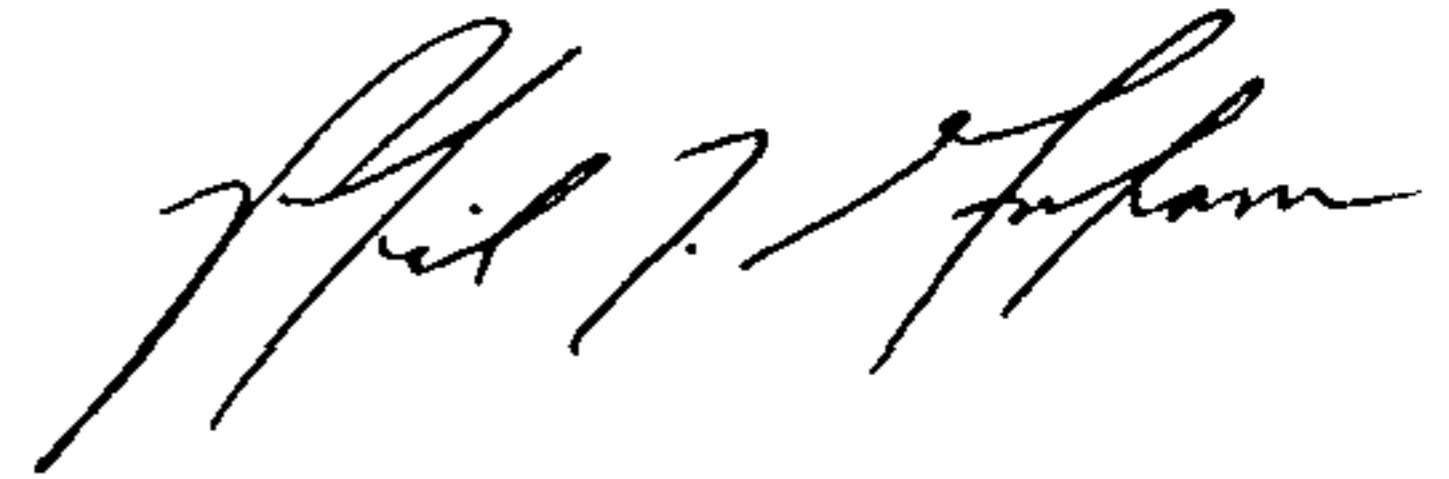
INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Gas Utility District #2
East Feliciana Parish
Clinton, Louisiana 70722

My report on my audit of the basic financial statements of

GAS UTILITY DISTRICT #2 EAST FELICIANA PARISH

for the year ended August 31, 1998, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
STATISTICAL DATA
FOR THE YEAR ENDED AUGUST 31, 1998

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GAS SALES CUBIC FEET OF GAS (MCF)</u>
September	905	1903.5
October	914	2989.9
November	928	6855.3
December	939	10397.1
January	939	7001.6
February	946	7086.1
March	946	6621.0
April	938	2893.1
May	929	1959.0
June	932	1606.5
July	928	1631.5
August	<u>927</u>	<u>1402.9</u>
Average number of customers	<u>931</u>	
Total cubic feet of gas		<u>52,347.5</u>

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
SCHEDULE OF INSURANCE IN FORCE
AUGUST 31, 1998
(Unaudited)

<u>POLICY NUMBER</u>	<u>EXPIRES</u>	<u>COMPANY</u>
CFA 83560008	06-23-99	Trinity Universal Insurance
CA 8366910	02-18-99	Trinity Universal Insurance
IM 8356007	07-27-99	Trinity Universal Insurance
17212	04-15-99	LA Worker's Compensation Corp.
18201858	03-22-99	Western Surety Company
GL00673178	06-01-99	Ranger Insurance Company
IMA 8356009	04-25-99	Trinity Universal Insurance
486-39-47	09-23-98	National Union Fire Insurance Company of Pittsburgh, PA

See Auditor's report on supplementary information.

<u>COVERAGE</u>	<u>AMOUNT</u>
Business Personal Property	\$12,000
Automobile - bodily injury each accident	\$300,000
Uninsured motorist each accident	\$20,000
Contractor's equipment	\$27,500
Workman's compensation	Statutory
Fidelity Bond - President	\$100,000
Fidelity Bond - Secretary	\$100,000
Fidelity Bond - Commissioners (each)	\$20,000
Fidelity Bond - Secretary/Bookkeeper	\$10,000
Fidelity Bond - System Operator	\$10,000
Commercial General Liability	
General aggregate limit	\$1,000,000
Products aggregate limit	\$1,000,000
Each occurrence limit	\$1,000,000
Personal & advertising injury limit	\$1,000,000
Medical expense limit, any one person	\$5,000
Fire damage limit, any one fire	\$50,000
Computer Equipment	\$2,666
General aggregate limit	
Public officials and employees liability	
General aggregate limit	\$1,000,000

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
COMPARATIVE DATA
AUGUST 31, 1998
(UNAUDITED)

	AUGUST 31,			
	1998	1997	1996	1995
<u>SUMMARY STATEMENT OF REVENUES</u>				
Operating Revenues	\$ 411,663	\$ 407,891	\$ 453,701	\$ 414,749
Cost of Revenues	<u>193,866</u>	<u>203,728</u>	<u>211,056</u>	<u>131,592</u>
Gross Profit	<u>217,797</u>	<u>204,163</u>	<u>242,645</u>	<u>283,157</u>
Operating Expenses	196,002	166,384	167,777	165,613
Depreciation	<u>41,976</u>	<u>40,284</u>	<u>38,312</u>	<u>37,363</u>
Operating Income (Loss)	<u>(20,181)</u>	<u>(2,505)</u>	<u>36,556</u>	<u>80,181</u>
Nonoperating Revenues	17,483	22,057	23,798	25,909
Nonoperating Expenses	<u>(16,413)</u>	<u>(18,227)</u>	<u>(21,750)</u>	<u>(26,552)</u>
NET INCOME (LOSS)	<u>(19,111)</u>	<u>1,325</u>	<u>38,604</u>	<u>79,538</u>
<u>OTHER DATA</u>				
Property, plant and Equipment	<u>1,304,158</u>	<u>1,158,155</u>	<u>1,155,675</u>	<u>1,105,649</u>
Net Working Capital	<u>51,416</u>	<u>227,519</u>	<u>268,891</u>	<u>329,654</u>
Total Assets	<u>1,002,526</u>	<u>1,063,011</u>	<u>1,115,424</u>	<u>1,120,707</u>
Bonds and Other Long-Term Liabilities	<u>241,145</u>	<u>290,382</u>	<u>337,750</u>	<u>383,219</u>
Total Equity	<u>688,027</u>	<u>707,138</u>	<u>705,813</u>	<u>667,209</u>
Average Number of Customers	931	920	913	912
Total Cubic Feet of Gas (MCF)	52,348	47,222	55,824	47,439
Number of customers:				
Residential	920	901	899	897
Commercial	7	7	7	7
3/4" Meters	2	2	2	2

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
GAS LOSS SCHEDULE - LOSS BY YEARS
AUGUST 31, 1998

<u>YEAR</u>	<u>GAS PURCHASED MCF</u>	<u>GAS SOLD MCF</u>	<u>GAS LOSS MCF</u>	<u>PERCENT LOSS MCF</u>	<u>DOLLAR LOSS</u>	<u>UNACCOUNTED LOSS MCF</u>	<u>ACCOUNTED LOSS MCF</u>
8/79	87,504	74,108	13,396	15.31	\$23,024.65	13,356	
8/80	87,079	80,908	4,171	4.90	9,208.94	4,171	
8/81	88,037	73,381	14,656	16.65	46,441.34	14,656	
8/82	75,510	64,205	11,305	14.97	45,522.07	11,305	
8/83	69,645	61,295	8,350	11.99	37,020.56	8,350	
8/84	73,919	61,996	11,923	16.13	53,934.90	11,923	
8/85	61,051	52,540	8,961	14.57	35,274.07	8,961	
8/86	54,560	47,437	7,123	13.06	24,202.24	7,123	
8/87	55,161	47,756	7,405	13.42	21,740.69	3,081	4,324
8/88	54,838	49,512	5,326	12.39	15,185.84	3,265	2,061
8/89	49,842	46,416	3,426	6.87	11,678.44	1,616	1,810
8/90	51,676	46,422	5,254	10.17	18,965.51	3,589	1,665
8/91	45,713	45,075	638	1.40	2,292.57	638	
8/92	50,058	48,759	1,299	2.59	3,626.11	1,299	
8/93	50,938	49,980	958	1.88	2,640.48	958	
8/94	52,447	51,987	460	.88	1,853.26	460	
8/95	48,057	47,439	618	1.28	1,568.95	303	315
8/96	57,000	55,825	1,175	2.06	2,159.15	1,175	
8/97	52,899	47,223	5,676	10.73	17,666.28	5,676	
8/98	55,164	52,348	2,816	5.10	9,288.24	1,012	1,804

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
BUDGET COMPARISON
FOR THE YEAR ENDED AUGUST 31, 1998

	<u>AUGUST 31,</u> <u>1998</u> <u>ACTUAL</u>	<u>AUGUST 31,</u> <u>1998</u> <u>BUDGET</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>OPERATING REVENUES</u>			
Gas sales	\$ 405,380	\$ 438,600	\$ (33,220)
Service charges	340	400	(60)
Penalties	5,943	6,500	(557)
Total Operating Revenues	<u>411,663</u>	<u>445,500</u>	<u>(33,837)</u>
<u>COST OF REVENUES</u>			
Gas purchases	<u>193,866</u>	<u>220,000</u>	<u>26,134</u>
<u>GROSS PROFIT</u>	<u>217,797</u>	<u>225,500</u>	<u>(7,703)</u>
<u>OPERATING EXPENSES</u>			
Billing expense	2,115	2,100	(15)
Board of Director fees	8,400	9,100	700
Collection fees	1,263	1,200	(63)
Customer interest	639	750	111
Depreciation	41,976	40,000	(1,976)
Insurance	23,633	24,000	367
Legal and professional fees	9,154	10,000	846
Miscellaneous	2,151	5,500	3,349
Office supplies	4,914	3,000	(1,914)
Other taxes	1,554	200	(1,354)
Payroll taxes	6,843	6,500	(343)
Penalties	692	500	(192)
Rent	800	1,200	400
Repairs and maintenance	32,197	25,000	(7,197)
Retirement plan	2,555	2,600	45
Salaries	83,360	75,000	(8,360)
Telephone	2,626	1,200	(1,426)
Travel	445	200	(245)
Uniforms	2,576	1,800	(776)
Utilities	1,985	600	(1,385)
Vehicles	8,100	12,000	3,900
	<u>237,978</u>	<u>222,450</u>	<u>(15,528)</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(20,181)</u>	<u>3,050</u>	<u>(23,231)</u>
<u>NON-OPERATING REVENUES AND (EXPENSES)</u>			
Interest income	16,847	26,000	(9,153)
Miscellaneous	636	250	386
Interest expense	(15,613)	(25,000)	9,387
Bad debt expense	(800)	(1,200)	400
Total Nonoperating Revenues	<u>1,070</u>	<u>50</u>	<u>1,020</u>
<u>NET INCOME (LOSS)</u>	<u>\$ (19,111)</u>	<u>\$ 3,100</u>	<u>\$ (22,211)</u>

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED AUGUST 31, 1998

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>TOTAL EXPENDITURE</u>
U.S. Department of Agriculture		
Community Facilities Loans	10.423	\$ 159,145

*This represents loan guarantees. There were no loan amounts received during the year nor were there any expenditures for this program during the year.

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October 28, 1998

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Gas Utility District #2
East Feliciana Parish
Clinton, Louisiana 70722

I have audited the general purpose financial statements of

GAS UTILITY DISTRICT #2
EAST FELICIANA PARISH

as of and for the year ended August 31, 1998, and have issued my report thereon dated October 28, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gas Utility District #2 of East Feliciana Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

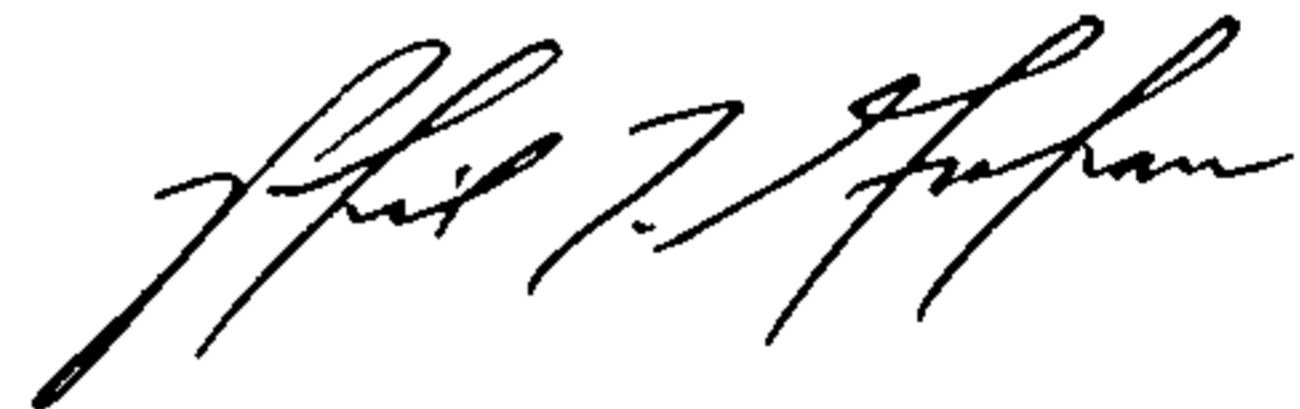
In planning and performing my audit, I considered Gas Utility District #2 of East Feliciana Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONCLUDED)

significant deficiencies in the design or operation of the internal control over financial reporting, that, in my judgement, could adversely affect Gas Utility District #2 of East Feliciana Parish's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in section II of the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I believe none of the reportable conditions described above is a material weaknesses. I also noted other matters involving the internal control over financial reporting that I have reported to management of Gas Utility District #2 of East Feliciana Parish in a separate letter dated October 28, 1998.

This report is intended for the information of the management and its funding agencies; however, this report is a matter of public record and its distribution is not limited.



GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 1998

I have audited the financial statements of Gas Utility District #2 of East Feliciana Parish as of and for the year ended August 31, 1998, and have issued my report thereon dated October 28, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of August 31, 1998 resulted in an unqualified opinion.

SECTION I: SUMMARY OF AUDIT REPORTS

a. Report on Internal Control and Compliance Material to the Financial Statements

1. There were no material weaknesses reported.
2. Reportable conditions are described in section II.
3. No instances of noncompliance material to the financial statements of Gas Utility District #2 of East Feliciana Parish were disclosed during the audit.

b. FEDERAL AWARDS

1. The federal program is listed in the schedule of federal financial assistance on page 28. There were no major programs. There were no material weaknesses or reportable conditions relating to internal control for the federal program.

SECTION II: FINANCIAL STATEMENT FINDINGS

A. REPORTABLE CONDITIONS 1997-1, SEGREGATION OF DUTIES

Due to the small number of employees, some of the functions within the accounting system do not have adequate segregation of duties. This was also a finding in the prior years audit.

RECOMMENDATION:

Based on the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

GAS UTILITY DISTRICT #2
OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 1998

RESPONSE:

No response is considered necessary.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.

SECTION IV: MANAGEMENT LETTER

One invoice in the amount of \$312.60 was paid twice. District personnel have contacted the vendor and requested a refund or credit.