

TOWNS OF HEMILLTON, LOUISIANA  
AND  
TOWNS OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

BALANCE SHEET  
JUNE 30, 1957

**ASSETS**

Current assets:

Cash	\$ 88,194
Certificates of Deposit	89,788
Accounts receivable, Trade (Note 2)	21,859
Interest receivable	528
Total assets	<u>199,453</u>

LIABILITIES AND TOWNS' EQUITY

Current liabilities:

Accounts payable	100,813
Customers' meter deposits	145
Total liabilities	<u>100,958</u>

Towns' equity:

Fund Balance	<u>87,428</u>
--------------	---------------

Total liabilities and towns' equity	<u>\$ 188,453</u>
-------------------------------------	-------------------

The accompanying notes are an integral part of this statement.

TOWN OF MONROE, LOUISIANA  
 AND  
 TOWN OF ST. JOSEPH, LOUISIANA  
 JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

STATEMENT OF INCOME  
 FOR THE YEAR ENDED JUNE 30, 1987

Revenues:	
Sale of gas	<u>\$ 283,833</u>
Cost of gas sold	<u>147,400</u>
Gross (loss) from operations	<u>136,434</u>
Operating expenses:	
Manager's fee	8,800
Repairs and maintenance	3,413
Rebates to towns	10,800
Legal and audit	750
Office supplies and postage	240
Leak survey	1,274
Drug testing	350
Other expenses	<u>50</u>
Total operating expenses	<u>36,227</u>
Net operating (loss)	<u>(109,171)</u>
Other income:	
Interest income	<u>7,200</u>
(Deficit) of revenues over expenses	<u>(109,969)</u>
Towns' equity at beginning of year (Restated - Note 6)	<u>138,200</u>
Towns' equity at end of year	<u>\$ 27,433</u>

The accompanying notes are an integral part of this statement.

TOWN OF MONROE, LOUISIANA  
 AND  
 TOWN OF ST. JOSEPH, LOUISIANA  
 JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

STATEMENT OF CASH FLOW  
 FOR THE YEAR ENDED JUNE 30, 1997

Cash flows from operating activities:	
Cash received from customers	\$ 202,000
Cash payments to suppliers for goods and services	(202,070)
Cash payments to manager for services	(8,800)
Net cash provided by operating activities	<u>175,560</u>
Cash flows from non-capital financing activities	-
Cash flows from capital and related financing activities:	-
Cash flows from investing activities:	
Investment income	<u>7,200</u>
Net (increase) in cash and cash equivalents	182,760
Cash and cash equivalents at July 1, 1996	<u>155,327</u>
Cash and cash equivalents at June 30, 1996	<u>\$ 338,084</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	\$(108,271)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	7,880
Increase (decrease in accounts payable)	<u>21,823</u>
Net cash provided by operating activities	<u>\$ 175,560</u>

The accompanying notes are an integral part of this statement.

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1997

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Jointly Owned Gas Line Operation and Maintenance Fund was established in October of 1984 for the purpose of providing natural gas from the Lake St. John gas field to the Towns of Newellton and St. Joseph, Louisiana. The transmission assets have been fully depreciated.

Basis of Accounting

The Jointly Owned Gas Line Operation and Maintenance Fund uses the accrual basis of accounting.

**NOTE 2 - ACCOUNTS RECEIVABLE**

The trade accounts receivable at June 30, 1997 are summarized below:

Towns of Newellton and St. Joseph, Louisiana	\$ 10,349
Other customers	<u>1,810</u>
Total accounts receivable	<u>\$ 12,159</u>

**NOTE 3 - ACCOUNTS PAYABLE**

The accounts payable at June 30, 1997 are summarized below:

Fennell Petroleum	<u>\$ 100,813</u>
-------------------	-------------------

**NOTE 4 - CASH AND CASH EQUIVALENTS**

Under state law, the gas line may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 1997, the gas line had cash and cash equivalents according to the bank's balances totaling \$185,823 as follows:

Demand deposits	\$ 48,195
Time deposits	<u>52,728</u>
Total	<u>\$ 100,923</u>

TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1997

**NOTE 4 - CASH AND CASH EQUIVALENTS--CONTINUED**

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 must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1997 are secured as follows:

Federal deposit insurance	\$ 122,523
---------------------------	------------

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Towns of Newellton and St. Joseph, Louisiana own the joint gas line and are the major purchaser of gas. Their respective amounts of gas purchased are as follows:

Newellton	\$ 148,414
St. Joseph	79,814
	\$ 228,228

The Towns of Newellton and St. Joseph are each billed at the same rates and these rates are the same as the other customers of the joint line.

**NOTE 6 - PRIOR PERIOD ADJUSTMENT**

Previously unrecognized accounts payable relating to gas purchases were retroactively recognized this year. This resulted in the following changes to the fund balances:

As previously reported, June 30, 1996	\$ 142,884
Unrecorded accounts payable	(24,672)
As adjusted, June 30, 1996	\$ 118,212

# SWITZER, HOPKINS & MANGE

Certified Public Accountants

SWITZER & PETERS, INC.  
10000 WOODBRIDGE  
SUITE 1000, WOODBRIDGE, VA  
22191-4400  
PHONE (703) 691-1100

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN ASSESSMENT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana

We have audited the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, for the year ended June 30, 1997 and have issued our report thereon dated September 15, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-118, "Guides of State and Local Governments". Those standards and OMB Circular A-118 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Page Two

In planning and performing our audit of the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance, for the year ended June 30, 1987, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

1. We noted that the Towns do not have adequate segregations of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.
2. We noted that the company sustained substantial losses in income during the year and those losses were caused primarily because of three internal control problems. These problems were as follows:
  - a. The billings in volumes of gas were substantially lower in some months than the volumes of gas purchased. This was caused by the meter to each of the Towns functioning incorrectly. Total gas losses for the year was 184.
  - b. During the year the supplier of gas changed its method of billing for gas and thus raised the price of gas sold to the company. The company did not make any changes in its billing rates to the Towns of Newellton and St. Joseph. The company paid more for seven consecutive months for gas purchased than it billed for the gas sold to the two Towns.

OFFICIAL  
FILE COPY

**DO NOT SIGN OUT**

Check Accuracy  
against both the  
copy and **PLATE**  
SPEC in FILE

TOWN OF HEMMELTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA

SCIENTIFIC CHECK ONE LINE  
OPERATION AND MAINTENANCE  
FINANCIAL STATEMENTS AND  
UNEMPLOYED AUDITORS' REPORTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 1997

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 DEC 04 1997

78 8 95 93 625 16  
LEGISLATIVE AUDITOR  
RECEIVED



TOWN OF HEMELTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA \*

JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
General Purpose Financial Statements:	
Balance Sheet	2
Statement of Income and Towns' Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-6
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN ASPECT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	7-9
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN ASPECT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	10

SWITZER, HOPKINS & MANGE  
Certified Public Accountants

BRIDGE STREET, 2ND  
FLOOR, MONROE, LA  
PHONE 2-2221, 2-2222  
FACSIMILE 2-2221, 2-2222  
PAGE 2, 2000-001-000 - 000

INDEPENDENT AUDITORS' REPORT

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana

We have audited the accompanying general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of June 30, 1997, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated September 11, 1997 on our consideration of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's internal control structure and on its compliance with laws and regulations.

Ferriday, Louisiana  
September 11, 1997

*Switzer, Hopkins & Mange*

RECOMMENDATION

We recommend that the two Towns' Mayors and Board of Aldermen appoint a committee to review those problems that policies concerning billing rates be established which tie billing rates directly to the cost of gas. We also recommend that the meters which measure the usage of gas of each town be inspected and replaced if necessary. We also recommend that the gas losses of 18% be accounted for.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in accounts that would be material in relation to the 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the use of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana  
September 11, 1987

*Switzger, Accounting Director*

SWITZER, HOPKINS & MANGE  
Certified Public Accountants

SWITZER, HOPKINS & MANGE  
1000 W. BROADWAY, SUITE 1000  
MONROE, LOUISIANA 70601  
PHONE (504) 335-1111  
FAX (504) 335-1112

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN  
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana

We have audited the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund, is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Monroe, Louisiana  
September 21, 1997

*Switzer, Hopkins & Mange*