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

Financial Statements
As of and For the Year Ended June 30, 2004

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

Financial Statements
As of and For the Year Ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

Honorable Mayors Of The
Towns Of Newellton And St. Joseph, Louisiana
Jointly Owned Gas Line Operation
And Maintenance Fund
St. Joseph, Louisiana

We have audited the accompanying financial statements of the **Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance Fund** (the Joint Gas Line) as of and for the year ended June 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Joint Gas Line's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the *United States of America*, the standards for *financial audits* contained in the *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide,* issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Joint Gas Line, as of June 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 6, 2004 on our considerations of the Joint Gas Line's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed

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in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the Joint Gas Line has implemented the reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ruffley Huffman & Moore

(A Professional Accounting Corporation)

October 6, 2004

REQUIRED SUPPLEMENTARY INFORMATION

Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance Fund (Joint Gas Line)
Management's Discussion and Analysis (MD&A)
June 30, 2004

As management of the Joint Gas Line, we offer readers of the Joint Gas Line financial statements this narrative overview and analysis of the financial activities of the Joint Gas Line for the fiscal year ended June 30, 2004. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Joint Gas Line's financial position, and identify material deviations and individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *(Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government)* issued June, 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Joint Gas Line has elected to exclude the information in this report. Subsequent reports will include the comparative information for use of reading this analysis.

Financial Highlights

- The assets of the Joint Gas Line exceeded its liabilities at the close of the most recent fiscal year by $341,708 (*net assets*). Of this amount, $341,708 (*unrestricted net assets*) represents the portion of net assets which is not invested in capital assets or otherwise restricted.
- The government's total net assets increased by $54,347.

Overview of the Financial Statements

Under the provision of GASB Statement 14, The Financial Reporting Entity, the Joint Gas Line is considered a special-purpose, stand-alone unit of local government.

This discussion and analysis is intended to serve as an introduction to the Joint Gas Line's basic financial statements. The Joint Gas Line's basic financial statements are comprised of the following components: 1) Statement of Net Assets, 2) Statement of Activities, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the Joint Gas Line's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Joint Gas Line is improving or deteriorating.

Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance Fund (Joint Gas Line)
Management's Discussion and Analysis (MD&A)
June 30, 2004

The statement of activities presents information showing how the Joint Gas Line's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Joint Gas Line, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Joint Gas Line can be reported as one category: a proprietary fund.

Proprietary funds. The Joint Gas Line maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 9, 10 and 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Joint Gas Line, assets exceeded liabilities by approximately $342,000 at the close of the most recent fiscal year.

For the year ended June 30, 2004, net assets changed as follows:

Beginning Net Assets	$287,361
Increase in Net Assets	54,347
Ending Net Assets	$341,708

Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance Fund (Joint Gas Line)
Management's Discussion and Analysis (MD&A)
June 30, 2004

The following schedule presents a summary of revenues and expenses for the year ended June 30, 2004:

Revenues:	
Income	
Charges for Services	$450,815
Other Income	50,139
	$500,954
Expenses:	
Cost of Sales	$411,761
Other Expenses	34,846
	$446,607

Business-type activities. Business-type activities increased the Joint Gas Line's net assets by approximately $55,000. Key elements of this increase are as follows:

- Gas Fund activities increased net assets by approximately $55,000.

Financial Analysis of the Government's Funds

As noted earlier, the Joint Gas Line uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Joint Gas Line's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Joint Gas Line's financing requirements.

As of the end of the current fiscal year, the Joint Gas Line's fund reported combined ending fund balances of $341,708, an increase of $54,347 in comparison with the prior year. Approximately one hundred percent of this total amount ($341,708) constitutes unreserved fund balance, which is available for spending at the Joint Gas Line's discretion.

Capital Asset and Debt Administration. The government has no capital assets nor outstanding debt.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Joint Gas Line 's budget for the 2005 fiscal year included the impact that will be made by fluctuating gas prices. This could impact the Joint Gas Line's revenue.

Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance Fund (Joint Gas Line)
Management's Discussion and Analysis (MD&A)
June 30, 2004

Requests for Information

This financial report is designed to provide a general overview of the Joint Gas Line's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor's office, St. Joseph, LA.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

Cash	$	299,066
Investments		21,825
Accounts Receivable, net of Allowance for Doubtful Accounts		40,214
TOTAL ASSETS	$	361,105

LIABILITIES AND FUND EQUITY

Liabilities:		
Accounts Payable	$	16,807
Accrued Liabilities		2,428
Customer Deposits		162
Total Liabilities		19,397
Net Assets		
Unrestricted Net Assets		341,708
TOTAL LIABILITIES AND FUND EQUITY	$	361,105

The accompanying notes are an integral part of this statement.

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Revenues:		
Charges for Services	$	450,815
Other Income		48,208
Total Revenues		499,023
Cost of Sales		(411,761)
Gross Profit From Operations		87,262
Expenses:		
Salaries and Wages		18,000
Payroll Taxes		1,376
Leak Survey		320
Legal and Audit		7,275
Miscellaneous		695
Repairs and Maintenance		7,180
Total Expenses		34,846
Operating Income		52,416
Nonoperating Income:		
Interest Income		1,931
Net Income		54,347
Net Assets Beginning of Year		287,361
NET ASSETS END OF YEAR	$	341,708

The accompany notes are an integral part of this statement

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Cash Flows From Operating Activities		
Receipts from Customers	$	472,269
Payments for Employee Services		(18,028)
Payments to Suppliers		(410,518)
Net Cash Provided by Operating Activities		43,723
Cash flows from Investing Activities:		
Increase in Investments		(297)
Interest Income		1,931
Net Cash Provided by Investing Activities		1,634
Net Increase in Cash		45,357
Cash at Beginning of Year		253,709
CASH AT END OF YEAR	$	299,066
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$	52,416
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Accounts Receivable		(26,754)
Accounts Payable		16,713
Accrued Liabilities		1,348
Total Adjustments		(8,693)
Net Cash Provided By Operating Activities	$	43,723

The accompanying notes are an integral part of this statement.

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

INTRODUCTION

The Town of Newellton and the Town of St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance Fund (the Joint Gas Line) is a joint venture of the two Northeast Louisiana towns. Its purpose is to provide natural gas to the two towns for resale to their citizens and approximately fifteen other customers in the service area. The gas is transmitted from local gas fields by way of the pipeline to the two towns. The Board of Aldermen and the Mayors of the two Towns govern the Joint Line.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Joint Gas Line have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Joint Gas Line is considered a separate reporting entity. The financial reporting entity consists of (a) the primary government, the Joint Line, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, the Joint Gas Line is considered a special-purpose, stand-alone unit of local government. Both Towns share equally in the financial accountability and management, thus it cannot be a component unit of either.

C. FUND ACCOUNTING

The Joint Gas Line uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions.

A fund is a separate accounting entity with a self-balancing set of accounts. The Joint Gas Line uses the proprietary fund for all of its operations. A description of the proprietary fund is as follows:

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Joint Gas Line functions as an Enterprise-type Proprietary fund to account for operations (a) 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 determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

On July 1, 2003, the Joint Line adopted the provisions of the Governmental Standards Board Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – For State and Local* Governments. Statement No. 34 establishes standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities, and a statement of cash flows. It also requires that classifications of net assets into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets – This component of net assets consists of those net assets on which constraints have been placed externally by creditors (such as through debt covenant), grantors, contributors, laws or regulations of other governments, or laws through constitutional provision or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Joint Line has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by the GASB.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

The Joint Line distinguishes operating revenues and expense from nonoperating items. Operating revenues and expenses generally result from providing services in connections with the Joint Line's principal ongoing operations. Their principle operating revenues are charges to customers for service. Customers are billed monthly for the service received during the month. Operating expenses include the cost of services and administrative expenses. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

The charges for these services are as follows:

1. The towns of Newellton, Louisiana and St. Joseph, Louisiana are charged each month $7.50 per MCF delivered

2. All commercial and residential customers are bill monthly at a charge of $11.00 per MCF delivered.

3. The Town of Waterproof, Louisiana, the Lake St. John Gas Company and the Locus Hill Gas Company are each charged $.20 per MCF that passes through the Joint Line's pipeline.

E. BUDGETS

The Joint Gas Line is not required to and does not adopt a budget.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in those time deposits and investments with maturities of 90 days or less. Under state law, the Joint Gas Line may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks with principal offices in Louisiana.

G. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles 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 amount of revenue and expense during the reported period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

State statutes require the Joint Line to invest surplus cash balances in obligations of the United States Treasury, time certificates of deposit, and any other federally insured investments. At June 30, 2004, the Joint Gas Line had cash and investments (book balances) as follows:

Demand deposits	$ 299,066
Time deposits	21,825
Total	$ 320,891

Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or resulting bank balances). The market value of the pledge 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 in a holding custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the Joint Gas Line had $303,559 in deposits (collected bank balances). These balances are secured from risk by $163,413 of Federal deposit insurance and $164,723 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 2). Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledge securities within 10 days of being notified by the Joint Gas Line that the fiscal agent failed to pay deposited funds upon demand.

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3 – ACCOUNTS RECEIVABLE

Trade accounts receivable at June 30, 2004 are summarized as follows:

Towns of Newellton and St. Joseph, Louisiana	$	37,275
Other Customers		6,033
Total		43,308
Less Allowance for Doubtful Accounts		(3,094)
Net Accounts Receivable	$	40,214

The Joint Line has elected to record its bad debts using the allowance for doubtful accounts method. The amount that is charged to the allowance account is determined by the use of historical collection data and specific account analysis. The amount charged to bad debt expense for 2004 is $0.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Towns of Newellton and St. Joseph, Louisiana jointly own the gas line that supplies natural gas to each of the towns. Each town purchases gas from the Joint Line for resale to their citizens. For the year ended June 30, 2004 the purchase of gas by each town was as follows:

Town of Newellton, Lousiana	$	204,127
Town of St. Joseph, Lousiana		225,705
Total	$	429,832

As of June 30, 2004 the amount due from each town for gas purchases was follows:

Town of Newellton, Louisiana	$	8,978
Town of St. Joseph, Louisiana		28,297
Total Due from the Towns	$	37,275

NOTE 5 – COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

The Joint Gas Line purchases 100% of the natural gas it sales from Locust Ridge Gas Company. Locust Ridge Gas Company, which is owned by a private investor, has continued to supply natural gas to the Joint Line without a signed contract. At June 30, 2004 the Joint Gas Line is still in negotiations with the owner for the continuation of the supply of natural gas, but no contract has been signed either party.

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

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

We have audited the financial statements of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund (the Joint Gas Line) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Joint Gas Line's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on noncompliance with those provisions was not the objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.,

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Joint Gas Line's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the

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internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Joint Line's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 04-01 and 04-02. 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 the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we consider items 04-02 to be a material weakness.

This report is intended for the information of management of the Joint Gas Line and the Legislative Auditor for the State of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Luffey Huffman & Moore

(A Professional Accounting Corporation)

October 6, 2004

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS OPERATIONS AND MAINTENANCE FUND
SCHEDULE OF FINDINGS
JUNE 30, 2004

04-01 Failure to Timely Bill Transportation Charges for Town of Waterproof, Louisiana

Finding:

We noted during our review of accounts receivable and the related review of revenue that the Town of Waterproof, Louisiana was not billed for transportation charges by the Joint Line for the period October 2003 through June 2004. These charges were billed on June 30, 2004 in the amount of $3,965. We discussed with management the reason why the Town of Waterproof had not been billed for the transportation charges for this period. They explained that the gas provider had not given them the amount of natural gas that was purchased by the Town of Waterproof during this period and that they had to request at June 30, 2004 in order for it to be billed.

Recommendation:

We recommend that the Joint Line contact the natural gas provider on a monthly basis to ascertain the amount of gas that has been provided to the Town of Waterproof. Once these figures are received, the Joint Line should bill the transportation charge to the Town of Waterproof on a timely basis.

Management's Corrective Action Plan:

We met with the gas provider (Locust Ridge Gas Company) and they assured us monthly gas volumes delivered to the Town of Waterproof will be provided for our prompt billing of natural gas transportation charges.

04-02 Collection of Accounts Receivable

Finding:

We noted, during our review of the outstanding accounts receivable, that the Town of St. Joseph, Louisiana owed the Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund (the Joint Gas Line) approximately $22,500 in past due charges at June 30, 2004. Of the approximately $22,500, $15,922 was past due over 90 days. The last payment by the Town of St. Joseph, Louisiana was made on May 8, 2004 and was for charges for the month of April 2004. As of June 30, 2004 there appears to have been no attempt by the Joint Line's management to collect this outstanding debt. Subsequent to year end, the Town of St. Joseph, Louisiana., has brought their account current, but the final payment on the past due amount was not received until September 9, 2004.

Recommendation:

We recommend that management on a monthly basis review the aged accounts receivable listing and take whatever action is needed to insure the prompt collection of all outstanding receivables.

Management's Corrective Action Plan:

We agree with the auditor's recommendation of reviewing aged accounts receivables monthly to insure prompt collection of all outstanding receivables and have made efforts to collect those receivables outstanding.

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS OPERATIONS AND MAINTENANCE FUND
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2004

The following is a summary of the status of the prior year findings included in the auditor's report dated November 26, 2003 covering the examination of the financial statements of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund as of and for the year ended June 30, 2003.

1. Cash Disbursements for Goods and Services

Finding: The cash disbursements disbursement policy for the purchase of goods and service of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Operations and Maintenance Fund (the Joint Gas Line) is not being followed. It is the policy of the Joint Gas Line for the Mayor of Newellton to receive and approve the all invoices before they are given to the Mayor of St. Joseph to enter into the accounting system for payment.

Status: Cleared in 2004.

2. Failure to File Payroll Tax Returns Timely

Finding: The Joint Gas Line has failed to file its payroll tax returns on a timely basis with the Internal Revenue Service and the State of Louisiana. This has resulted in the Internal Revenue Service assessing penalties. The Internal Revenue Service requires that an employer file their quarterly Federal Tax return by the last day of the month after the quarter ends.

Status: Payroll Taxes are still not being filed on a timely basis.