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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009
With
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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THE HALFORD FIRM, PLLC

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INDEPENDENT AUDITOR'S 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, 2009, 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, 2009, and the changes in its financial position 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 December 10, 2009 on our consideration 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

The Halford Firm, PLLC

Vicksburg, Mississippi
December 10, 2009

REQUIRED SUPPLEMENTARY INFORMATION

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA JOINTLY OWNED GAS LINE
OPERATION AND MAINTENANCE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009. 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.

Financial Highlights

- The assets of the Joint Gas Line exceeded its liabilities at the close of the most recent fiscal year by $467,471 (net assets). Of this amount $467,471 (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 $193,684.

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 the 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.

The Statement of Revenues, Expenses, and Changes in Net Assets 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 group 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 in 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 page 7, 8, and 9 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 10 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 $274,000 at the close of the most recent fiscal year.

For the years ended June 30, 2009 and 2008, net assets changed as follows:

	2009	2008
Beginning Net Assets	$ 273,787	$ 620,966
Increase (Decrease) in Net Assets	193,684	(347,179)
Ending Net Assets	$ 467,471	$ 273,787

The following schedule presents a summary of revenues and expenses for the years ended June 30, 2009 and 2008.

	2009	2008
Revenues:		
Income		
Charges for Services	$ 610,974	$ 560,984
Other Income	-	1,856
Interest Income	1,735	6,741
Total	612,709	569,581
Expenses:		
Cost of Sales	364,344	475,585
Rebates to Partners	-	400,000
Other Expenses	54,681	41,175
Total	419,025	916,760
Net Income (Loss)	$ 193,684	$ (347,179)

Business-type activities. Business-type activities increased the Joint Gas Line's net assets by $193,684. The key element of this increase was activities of the gas line.

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 $467,471, an increase of $193,684 in comparison with the prior year. Approximately one hundred percent of this total amount ($467,471) 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 Rates

Factors considered in planning for the Joint Gas Line's 2009 fiscal year included the impact that will be made by fluctuating gas prices. This could impact the Joint Gas Line's revenue.

Requests for Information

This financial report is designed to provide a general overview of the Joint Gas Line's finances for all of 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 Mayor Edward Brown, PO Box 217, St. Joseph, LA, 71366.

BASIC FINANCIAL STATEMENTS

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets		
Cash	$	410,992
Investments		24,918
Accounts receivable, net of allowance for doubtful accounts		34,607
Total assets		470,517
Liabilities and Fund Equity		
Liabilities		
Accounts payable	$	2,884
Customer deposits		162
Total liabilities		3,046
Net Assets		
Unrestricted net assets		467,471
Total liabilities and fund equity	$	470,517

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

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Revenues:		
Charges for services	$	610,974
Cost of Sales		364,344
Gross Profit from Operations		246,630
Expenses:		
Salaries and wages		24,000
Payroll taxes		2,240
Leak survey		400
Legal and audit		6,500
Repair and maintenance		13,924
Bad debts		6,457
Other		1,160
Total Expenses		54,681
Operating Income		191,949
Non-operating Income and Expenses:		
Interest Income		1,735
Net Income		193,684
Net Assets, beginning of year		273,787
Net Assets, end of year	$	467,471

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

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:		
Receipts from customers	$	582,894
Payments for employee services		(25,376)
Payments to suppliers		(364,344)
Payments for other expenses		(20,018)
Net cash provided by operating activities		173,156
Cash Flows from Investing Activities:		
Increase in investments		(587)
Interest income		1,735
Net cash provided by Investing Activities		1,148
Net Increase in Cash		174,304
Cash at Beginning of Year		236,688
Cash at End of Year	$	410,992
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	191,949
Adjustments to reconcile operating income to net cash provided by operating activities:		
Accounts receivable		(21,623)
Accounts payable and accrued liabilities		2,830
Total adjustments		(18,793)
Net cash provided by operating activities	$	173,156

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

NOTES TO THE FINANCIAL STATEMENTS

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 two pipelines to the towns. The Board of Aldermen and the Mayors of the two Towns govern the Joint Gas 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:

NOTE 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of the 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 Gas 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 provisions 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 Gas 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 statement of net assets. 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.

NOTE 1 – Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

The Joint Gas Line distinguishes operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services in connections with the Joint Gas Line's principal ongoing operations. Their principal 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 non-operating 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 $5.41 per MCF delivered.

2. All commercial and residential customers are billed monthly at a charge of $15.00 per MCF delivered.

3. The Town of Waterproof, Louisiana, and the Locust Ridge Gas Company are charged $.20 and $.07 respectfully, for each MCF that they transport through the pipeline owned jointly by the Towns of Newellton and St. Joseph, Louisiana.

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 Gas 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, 2009, the Joint Gas Line had cash and investments (book balances) as follows:

Demand deposits	$ 410,992
Time deposits	24,918
Total	$ 435,910

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 each of the pledged securities plus 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, 2009, the Joint Gas Line had $442,807 in deposits (collected bank balances). These balances are secured from risk by $100,000 of Federal deposit insurance and $342,807 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 pledged securities within 10 days of being notified by the Joint Gas Line that the fiscal agent failed to pay deposited funds upon demand.

NOTE 3 – Accounts Receivable

Trade accounts receivable at June 30, 2009 are summarized as follows:

Towns of Newellton and St. Joseph, Louisiana	$ 34,702
Other customers	12,907
Total	47,609
Less allowance for doubtful accounts	13,002
Net accounts receivable	$ 34,607

The Joint Gas 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.

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
NOTES TO THE FINANCIAL STATEMENTS - continued
JUNE 30, 2009

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 Gas Line for resale to their citizens. For the year ended June 30, 2009, the purchase of gas by each town was as follows:

Town of Newellton, Louisiana	$ 264,021
Town of St. Joseph, Louisiana	230,521
Total	$ 494,542

As of June 30, 2009, the amount due from each town for gas purchases was as follows:

Town of Newellton, Louisiana	$ 6,136
Town of St. Joseph, Louisiana	28,566
Total due from the Towns	$ 34,702

NOTE 5 – Commitments, Contingencies, and Concentrations

The Joint Gas Line purchases 100% of the natural gas it sells 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 Gas Line without a signed contract. At June 30, 2009 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 by either party.

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 Operation 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, 2009, and have issued our report thereon dated December 10, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Joint Gas Line's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Joint Gas Line's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Joint Gas Line's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Joint Gas Line's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Joint Gas Line's financial statements that is more than inconsequential will not be prevented or detected by the Joint Gas Line's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-01 and 09-02 to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Joint Gas Line's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-01 a material weakness.

Compliance and Other Matters

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 are required to be reported under *Government Auditing Standards*.

The Joint Gas Line's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Joint Gas Line's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Joint Gas Line and the Legislative Auditor for the State of Louisiana and is not intended to be 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.

The Halford Firm, PLLC

Vicksburg, Mississippi
December 10, 2009

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
SCHEDULE OF FINDINGS
JUNE 30, 2009

09-01 – Segregation of Duties

Finding:

During our audit we noted that the size of the Joint Gas Line and the limited number of employees does not permit an adequate segregation of employee duties for effective internal control. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. *This was a finding in the prior year.*

Recommendation:

To the extent that it is practical to do so, management should segregate employee duties and perform supervisory reviews.

Response:

We continually monitor internal controls over the performance of employee duties and, as recommended, will provide for adequate separation of employee duties to the extent practical to do so.

09-02 – Undeposited Funds

Finding:

During our audit we noted that cash receipts are not being deposited in a timely manner. At the present time, the receipts are accumulated in a safe and deposits are made once or twice a month. As a result, not only is there a risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment. *This was a finding in the prior year.*

Recommendation:

We recommend that deposits be made on a weekly basis both to improve cash flow and to reduce the risk of loss.

Response:

As recommended, we will deposit cash receipts into bank accounts as soon as they are received or at least biweekly.

09-03 – Failure to Maintain Fiscal Responsibility

Finding:

We noted during our audit that the Joint Gas Line has not executed a contract with Locust Ridge Gas Company, its sole natural gas provider. This situation subjects the Towns of Newellton and St. Joseph and their respective citizens to unnecessary price vulnerability and potential service interruptions. *This was a finding in the prior year.*

09-03 – Failure to Maintain Fiscal Responsibility - continued

Recommendation:

We recommend that the Joint Gas Line negotiate, at a minimum, an annual contract with Locust Ridge Gas Company.

Response:

We have discussed with the Saint Joseph and Newellton Boards of Aldermen of the potential risks of operating without a natural gas contract.

TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
SUMMARY STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2009

08-01 – Failure to Report on a Timely Basis

Finding:

Louisiana Revised Statute 24:513 requires all audit engagements to be completed and transmitted to the Legislative Auditor within six months of the close of the Joint Gas Line's fiscal year end. Accordingly, the Joint Gas Line's audit report for the year ended June 30, 2007 was due to the Legislative Auditor by December 31, 2007.

The Joint Gas Line's accounting records were not complete enough for an audit to be performed within the required time.

Recommendation:

We recommend that the Joint Gas Line maintain accurate and complete accounting records to facilitate a timely audit in accordance with Revised Statute 24:513.

Status:

This finding had been resolved at June 30, 2008.

08-02 – Preparation of Annual Financial Statements

Finding:

The Joint Gas Line's personnel do not have the capability to prepare annual financial statements, including footnote disclosures, in accordance with generally accepted accounting principles and do not have the skills and competencies necessary to prevent, detect, and correct a material misstatement.

Recommendation:

An adequately designed system of internal control over financial reporting includes controls over preparation of the annual financial statements, including footnote disclosures. Such internal controls should require that the annual financial statements be prepared by personnel capable of preparing the financial statements in accordance with generally accepted accounting principles. In addition, such personnel should have the skills and competencies to prevent, detect, and correct a material misstatement in the financial statements. The Joint Gas Line's personnel with direct responsibility over financial reporting should receive training in the preparing of financial statements, including note disclosures. The training should be sufficient to provide such personnel with the skills and competencies necessary to prevent, detect, and correct a material misstatement. Alternatively, the Joint Gas Line could hire a qualified CPA to prepare their financial statements for them.

Status:

This finding had been resolved at June 30, 2009.

08-03 – Segregation of Duties

Finding:

During our audit we noted that the size of the Joint Gas Line and the limited number of employees does not permit an adequate segregation of employee duties for effective internal control. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Recommendation:

To the extent that it is practical to do so, management should segregate employee duties and perform supervisory reviews.

Status:

This finding had not been resolved at June 30, 2009.

08-04 – Undeposited Funds

Finding:

During our audit we noted that cash receipts are not being deposited in a timely manner. At the present time, the receipts are accumulated in a safe and deposits are made once or twice a month. As a result, not only is there a risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment.

Recommendation:

We recommend that deposits be made on a weekly basis both to improve cash flow and to reduce the risk of loss.

Status:

This finding had not been resolved at June 30, 2009.

08-05 – Failure to Maintain Fiscal Responsibility

Finding:

We noted during our audit that the Joint Gas Line has not executed a contract with Locust Ridge Gas Company, its sole natural gas provider. This situation subjects the Towns of Newellton and St. Joseph and their respective citizens to unnecessary price vulnerability and potential service interruptions. *This was a finding in the prior year.*

08-05 – Failure to Maintain Fiscal Responsibility - continued

Recommendation:

We recommend that the Joint Gas Line negotiate, at a minimum, an annual contract with Locust Ridge Gas Company.

Status:

This finding had not been resolved at June 30, 2009.