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**RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana**

**Financial Report
As of and for the Two Years Ended December 31, 1998
With Supplemental Information Schedule**

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 7-14-99

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ROZIER, HARRINGTON & MCKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

JOHN S. ROZIER, IV, C.P.A.
M. DALE HARRINGTON, C.P.A.
MARK S. MCKAY, C.P.A.
LEE W. WILLIS, C.P.A.
LAWRENCE E. MAYBAUX, C.P.A.

June 4, 1999

Independent Auditors' Report

Board of Commissioners
Rapides Parish Gas Utility District No. 2
Alexandria, Louisiana

We have audited the accompanying financial statements of the Rapides Parish Gas Utility District No. 2 as of December 31, 1998 and for the two years then ended. These financial statements are the responsibility of the Gas District's management. Our responsibility is to express an opinion on these component unit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above present only the financial transactions of the Rapides Parish Gas Utility District No. 2, a component unit of the Rapides Parish Police Jury.

Governmental accounting standards require disclosure of certain matters regarding the year 2000 issue. Due to the unprecedented nature of the year 2000 issue, management believes that its effects and the success of remediation efforts will not be fully determinable before the year 2000. Since the effects of the year 2000 issue and the success of remediation efforts cannot be readily determined at the present time, management has elected to omit the required disclosures from the accompanying financial statements.

In our opinion, except for the exclusion of disclosure regarding the year 2000 issue, the financial statements referred to above present fairly, in all material respects, the financial position of the Rapides Parish Gas Utility District No. 2, as of December 31, 1998 and the results of its operations and cash flows for the two years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 4 1999, on our consideration of the Gas District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information schedules included with the financial statements is presented for purposes of additional analysis and is not a required part of the financial statements of the Gas District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Rozier, Harrington & McKay

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TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

June 4, 1999

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

Board of Commissioners
Rapides Parish Gas Utility District No. 2
Alexandria, Louisiana

We have audited the financial statements of the Rapides Parish Gas Utility District No. 2, as of December 31, 1998 and for the two years ended then ended, and have issued our report thereon dated June 4, 1999. We conducted our 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 the Rapides Parish Gas Utility District No. 2's financial statements are free of material misstatement, 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 compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rapides Parish Gas Utility District No. 2'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 internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Rozier, Harrington & McKay

ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Rapides Parish Gas Utility District No. 2

Summary of Findings and Questioned Cost

As of and for the Two Years Ended December 31, 1998

We were engaged to audit the financial statements of the Gas Utility District No. 2 as of and for the two years ended December 31, 1998, and have issued our report thereon dated June 4, 1999. We conducted our 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. Our report expresses a qualified of opinion on the financial statements for the year ending December 31, 1998.

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

a. The report on internal control and compliance material to the financial statements reported the following items:

- Internal Control – There were no reportable conditions
- Compliance – No noncompliance that is material to the financial statements.

b. Federal Awards:

- N/A, Federal Awards received during the year ended December 31, 1998 were not sufficient in amount to require a single audit.

c. Identification of Major Programs:

- N/A

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- N/A

Rapides Parish Gas Utility District No. 2
Management's Corrective Action Plan
As of and for the Two Years Ended December 31, 1998

SECTION I	
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
N/A – No findings of this nature were reported.	Response – N/A
SECTION II	
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – No findings of this nature were reported.	Response – N/A
SECTION III	
MANAGEMENT LETTER	
N/A -- No findings of this nature were reported.	Response – N/A

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana

General Purpose Financial Statements
 As of and for the Two Years Ended December 31, 1998
 With Supplemental Information Schedules

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RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND
 (All Fund Types and Account Groups)

Balance Sheet
 December 31, 1998/1997

	December 31,	
	1998	1997
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalent (note 2)	\$ 244,275	\$ 214,793
Receivables (note 3)	16,870	22,485
Prepaid expenses	2,352	2,097
Total current assets	263,497	239,375
Fixed assets and accumulated depreciation:		
Natural gas distribution system, portable building and equipment (note 4)	225,798	225,798
Less accumulated depreciation (note 4)	(147,836)	(141,458)
Net fixed assets (note 4)	77,962	84,340
 TOTAL ASSETS	 \$ 341,459	 \$ 323,715
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities - current liabilities payable from current assets:		
Accounts payable	\$ 25,953	\$ 13,793
Deposits held for others - customers' meter deposits	16,810	16,950
Total liabilities - current liabilities payable from current assets	42,763	30,743
Fund Equity - retained earnings - unreserved	298,696	292,972
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 341,459	 \$ 323,715

The accompanying notes are an integral part of this statement.

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses and
 Changes in Retained Earnings
 For the Two Years Ended December 31, 1998

	FOR THE YEAR ENDED DECEMBER 31,	
	1998	1997
<u>OPERATING REVENUES</u>		
Sales of natural gas	\$ 99,894	\$ 114,243
Other operating revenues	1,790	2,850
Total operating revenues	101,684	117,093
 <u>OPERATING EXPENSES</u>		
Purchases of natural gas	50,364	69,410
Compensation of Board of Commissioners	1,350	450
Salaries and wages - clerical	15,785	15,647
Employees' related costs - clerical	1,208	1,196
Contract labor - clerical	305	425
Professional services	-	2,625
Collection fees	-	126
Insurance and surety bond premiums	3,786	4,685
Maintenance and repairs of natural gas distribution system:		
Salaries and wages	2,649	2,875
Employees' related costs	204	243
Contract labor	359	865
Engineering, inspection and other fees	17,780	1,107
Materials and supplies	1,632	3,162
Equipment expense	35	480
Rentals of rights of way	386	120
Postage	906	898
Utilities	364	318

The accompanying notes are an integral part of this statement.

(Continued)

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses and
 Changes in Retained Earnings
 For the Two Years Ended December 31, 1998

	FOR THE YEAR ENDED DECEMBER 31,	
	1998	1997
<u>OPERATING EXPENSES (Contd.)</u>		
Office supplies and expenses	\$ 1,031	\$ 853
Bank service charges	423	463
Depreciation	6,378	6,460
Total operating expenses	104,945	112,408
 <u>OPERATING INCOME/(LOSS)</u>	 (3,261)	 4,685
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest earned	9,102	8,166
Vendor's compensation	26	40
Loss from uncollectible receivables that were written off	(143)	(58)
Total nonoperating revenues (expenses)	8,985	8,148
 <u>NET INCOME</u>	 5,724	 12,833
 <u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	 292,972	 280,139
 <u>RETAINED EARNINGS AT END OF YEAR</u>	 \$ 298,696	 \$ 292,972

The accompanying notes are an integral part of this statement.

(Concluded)

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Cash Flows
 For the Year Ended December 31, 1998

<i>Cash flows from operating activities:</i>	
Net income	\$ 5,724
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	6,378
Interest earned	(9,102)
Decrease in receivables (excluding decrease in accrued interest receivable)	5,460
Increase in prepaid expenses	(255)
Increase in accounts payable	12,157
Decrease in deposits held for others - customers' meter deposits	(140)
Net cash provided by operating activities	<u>20,222</u>
<i>Cash flows from investing activities:</i>	
Interest earned	9,102
Decrease in accrued interest receivable	158
Net cash provided by investing activities	<u>9,260</u>
Net increase in cash and cash equivalent	29,482
Cash and cash equivalent at January 1, 1998	<u>214,793</u>
Cash and cash equivalent at December 31, 1998	<u><u>\$ 244,275</u></u>
<i>Reconciliation of operating (loss) to net cash provided by operating activities:</i>	
Operating (loss)	<u>\$ (3,261)</u>
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	6,378
Vendor's compensation	26
Loss from uncollectible receivables that were written off	(143)

The accompanying notes are an integral part of this statement.

(Continued)

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Cash Flows
 For the Year Ended December 31, 1998

Reconciliation of operating (loss) to net cash provided by operating activities: (Contd.)	
Adjustments to reconcile operating (loss) to net cash provided by operating activities: (Contd.)	
Changes in assets and liabilities:	
Decrease in receivables (excluding decrease in accrued interest receivable)	\$ 5,460
Increase in prepaid expenses	(255)
Increase in accounts payable	12,157
Decrease in deposits held for others - customers' meter deposits	(140)
Net adjustments	<u>23,483</u>
Net cash provided by operating activities	<u>\$ 20,222</u>

The accompanying notes are an integral part of this statement.

(Concluded)

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Cash Flows
 For the Year Ended December 31, 1997

Cash flows from operating activities:	
Net income	\$ 12,833
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	6,460
Interest earned	(8,166)
Increase in receivables (excluding increase in accrued interest receivable)	(592)
Decrease in prepaid expenses	128
Decrease in employees' withholdings payable	(380)
Decrease in accrued payroll taxes payable	(155)
Decrease in accounts payable	(6,041)
Increase in deposits held for others - customers' meter deposits	900
Net cash provided by operating activities	<u>4,987</u>
Cash flows from capital activities:	
Additions to natural gas distribution system	(1,322)
Purchase of portable building	(1,496)
Net cash used for capital activities	<u>(2,818)</u>
Cash flows from investing activities:	
Interest earned	8,166
Increase in accrued interest receivable	(538)
Net cash provided by investing activities	<u>7,628</u>
Net increase in cash and cash equivalent	9,797
Cash and cash equivalent at beginning of year	<u>204,996</u>
Cash and cash equivalent at end of year	<u><u>\$ 214,793</u></u>

The accompanying notes are an integral part of this statement.

(Continued)

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND - ENTERPRISE FUND

Statement of Cash Flows
 For the Year Ended December 31, 1997

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 4,685</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,460
Vendor's compensation	40
Loss from uncollectible receivables that were written off	(58)
Changes in assets and liabilities:	
Increase in receivables (excluding increase in accrued interest receivable)	(592)
Decrease in prepaid expenses	128
Decrease in employees' withholdings payable	(380)
Decrease in accrued payroll taxes payable	(155)
Decrease in accounts payable	(6,041)
Increase in deposits held for others - customers' meter deposits	900
Net adjustments	<u>302</u>
Net cash provided by operating activities	<u><u>\$ 4,987</u></u>

The accompanying notes are an integral part of this statement.

(Concluded)

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

Notes to the General Purpose Financial Statements
As of and for the Year Ended December 31, 1998

INTRODUCTION

The Rapides Parish Gas Utility District No. 2 (district) was created by the Rapides Parish Police Jury on May 21, 1963, as authorized by Louisiana Revised Statute 33:4301. The district is governed by a five-member board of commissioners who are residents of the district and who are appointed by the police jury. In accordance with Louisiana Revised Statute 33:4305, certain members of the district's Board of Commissioners elected to receive compensation for the meetings of the district that they attend. A schedule of compensation paid to members of the district's Board of Commissioners is included in the accompanying general purpose financial statements (financial statements).

Rapides Parish Gas Utility District No. 2 owns, maintains and operates a natural gas distribution system, which is comprised of 29 miles of pipeline and 1.35 miles of service line, that serves approximately 335 customers in a portion of Rapides Parish south of Alexandria, Louisiana. The district has three part-time employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of Rapides Parish Gas Utility District No. 2 have been prepared in conformity with generally accepted accounting principles (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

The district is a component unit of the Rapides Parish Police Jury, the financial reporting entity. The police jury is financially accountable for the district because it appoints the management of the district (Board of Commissioners), on which the police jury can impose its will.

The financial statements present information on the only fund the district maintains, the Enterprise Fund. No information on the police jury is presented in the financial statements.

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the General Purpose Financial Statements
As of and for the Year Ended December 31, 1998
(Continued)

C. FUND ACCOUNTING

The Rapides Parish Gas Utility District No. 2 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues and expenses. Operations are financed and managed in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund of the district is 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 operation of the district's Enterprise Fund are included on the balance sheet. The district's Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The basis of accounting followed by proprietary funds is similar to accounting practices utilized by business enterprises. Due to these similarities, proprietary funds are allowed to follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the district only applies those FASB pronouncements that were issued on or before November 30, 1989.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits. Cash of the district at December 31, 1998, consists of an interest bearing demand deposit and a cash equivalent or time deposit (certificate of deposit). Under state law, the district

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the General Purpose Financial Statements
As of and for the Year Ended December 31, 1998
(Continued)

may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law, or any other state of the United States, or under the laws of the United States. The district did not own any investments at December 31, 1998.

F. PREPAID EXPENSES

Prepaid expenses, a current asset account on the balance sheet of the Enterprise Fund, reflects charges entered in the accounts for benefits not yet received. Amortization of prepaid expenses is based on the period of time for which the expenses are prepaid. Prepaid expenses, when amortized, are charged against related operating expenses of the Enterprise Fund.

G. FIXED ASSETS AND ACCUMULATED DEPRECIATION

Fixed assets, and accumulated depreciation thereon, of the district are included on the balance sheet of the Enterprise Fund. Interest costs incurred during construction projects are not capitalized. Fixed assets are valued at historical cost or estimated cost if historical cost was not available. The total valuation of fixed assets whose costs were estimated represent 80 per cent of the total fixed assets reported at December 31, 1998. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over an estimated useful life of 40 years for the natural gas distribution system (including lines and meters), over an estimated useful life of five years for a portable building and over an estimated useful life of four years for equipment.

H. COMPENSATED ABSENCES

The district does not have formal vacation and sick leave policies.

I. LONG-TERM LIABILITIES

The district does not have any long-term liabilities at December 31, 1998.

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the General Purpose Financial Statements
 As of and for the Year Ended December 31, 1998
 (Continued)

2. CASH AND CASH EQUIVALENT

At December 31, 1998, the district has cash and a cash equivalent totaling \$244,275 (book balances); this amount is comprised of the following:

Cash - interest bearing demand deposit	\$ 75,871
Cash equivalent - time deposit - certificate of deposit	<u>168,404</u>
Total	<u>\$244,275</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 federal deposit insurance must at all times equal or exceed 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. At December 31, 1998, the district has \$252,351 on deposit (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$200,572 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3), under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

Receivables at December 31, 1998, are comprised of the following:

Sales of natural gas	\$14,724
Accrued interest receivable	<u>2,146</u>
Total	<u>\$16,870</u>

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the General Purpose Financial Statements
 As of and for the Year Ended December 31, 1998
 (Continued)

Receivables resulting from the sales of natural gas are due from residents of Rapides Parish, Louisiana; this situation represents a concentration of credit risk as defined by generally accepted accounting principles. In order to limit potential losses, each customer of the district, with some exceptions, is required to put up a refundable deposit. Presently the required amounts of these individual refundable customer deposits and the criteria used to determine the amounts are as follows: \$100 for customers who live in mobile homes; \$100 for customers who rent their homes; and \$75 for customers who own their homes. Deposits received from customers are recorded in the accounts as deposits held for others - customers' meter deposits; these deposits totaled \$16,810 at December 31, 1998.

4. FIXED ASSETS AND ACCUMULATED DEPRECIATION

A summary of fixed assets and accumulated depreciation thereon at December 31, 1998, follows:

	Cost/ Estimated <u>Cost</u>	Less Accumulated <u>Depreciation</u>	Net Fixed <u>Assets</u>
Natural gas distribution system	\$218,515	\$(141,868)	\$76,647
Portable building	1,496	(324)	1,172
Equipment	<u>5,787</u>	<u>(5,644)</u>	<u>143</u>
Net fixed assets	<u>\$225,798</u>	<u>\$(147,836)</u>	<u>\$77,962</u>

The straight-line method is used in computing depreciation over an estimated useful life of 40 years for the natural gas distribution system (including lines and meters), over an estimated useful life of five years for a portable building and over an estimated useful life of four years for equipment.

5. PENSION PLAN

Employees of the district are not enrolled in a pension plan. However, employees of the district are covered by social security, which requires the district to match equally the contributions of each employee. The district does not guarantee benefits granted under social security.

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the General Purpose Financial Statements
As of and for the Year Ended December 31, 1998
(Continued)

6. OTHER POSTEMPLOYMENT BENEFITS

The district does not contribute to the cost of other postemployment benefits, such as health care or life insurance benefits.

7. LEASES

The district does not have any capital or operating leases in effect at December 31, 1998.

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 1998, the district was not involved in any transactions that could be defined as related party transactions.

9. LITIGATION AND CLAIMS

There are no lawsuits or claims pending against the district at December 31, 1998.

10. COMPREHENSIVE GENERAL LIABILITY INSURANCE

At December 31, 1998, the district has a comprehensive general liability insurance policy that provides limited coverage. The effective date of this policy is July 2, 1993, and the next annual renewal premium is due in July of 1999.

11. RISK AND RISK MANAGEMENT ACTIVITIES

The district is exposed to various risk of loss related to: torts; theft, damage and/or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district insures against these risks by purchasing commercial insurance. Settled claims, if any, resulting from these insured risks have not exceeded insurance coverage in any of the past three years of the district's operations.

12. SUBSEQUENT EVENTS

In 1999, the district will have to relocate certain gas lines it owns which are located on a Louisiana Department of Transportation and Development (LDOTD) right of way affected by State Project No. 052-08-0039. An independent contractor, selected through competitive bidding

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the General Purpose Financial Statements
As of and for the Year Ended December 31, 1998
(Concluded)

procedures, will relocate the gas lines at an estimated cost of \$196,734 to the district; it should be noted for purposes of comparison that the proceeds derived from the sale of a \$180,000 revenue bond issue in 1964 were used to finance the construction costs of the district's entire original natural gas distribution system. The district will pay the first \$22,000 of the actual cost of relocating the gas lines and the remainder will be financed free of interest by LDOTD, as provided for by their Utility Relocation Assistance Funding Program. The district will repay the amount financed by LDOTD by annual payments computed at five percent of its gross income or ten percent of the outstanding balance of the amount financed. The first payment must be made within one year of the date of invoicing for the amount financed by LDOTD and subsequent payments are due by January 15th of each ensuing year.

13. OTHER SUPPORT

During the year ended December 31, 1998, the district did not receive any support from the Rapides Parish Police Jury or any other governmental entity.

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
For the Two Years Ended December 31, 1998

COMPENSATION PAID TO MEMBERS OF BOARD OF COMMISSIONERS

A schedule of compensation paid to members of the Board of Commissioners (Schedule 1) is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

In accordance with Louisiana Revised Statute 33:4305, members of the district's Board of Commissioners are entitled to receive, out of available funds of the district, a per diem allowance of up to \$75 for each of the meetings of the district they attend, but no such allowance shall be paid for more than 25 meetings in any year.

PRIOR AUDIT FINDING

The follow-up and corrective action taken on a prior audit finding is presented in a schedule relating to this matter (Schedule 2).

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana

Schedule of Compensation Paid to Members of Board of Commissioners
 For the Two Years Ended December 31, 1998

<u>NAME</u>	NUMBER FOR THE YEAR ENDED DECEMBER 31,		AMOUNT FOR THE YEAR ENDED DECEMBER 31,	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Curtis Paul	3		\$ 225	
Melba Peart	5	2	375	\$ 150
Glenn Peterson	5	2	375	150
Bob Stevens	5	2	<u>375</u>	<u>150</u>
Total			<u>\$ 1,350</u>	<u>\$ 450</u>

RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

Summary Schedule of Prior Audit Finding
For the Two Years Ended December 31, 1998

**SECTION 1 - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

Auditor's Reference Number

The auditor's reference number to the one and only audit finding was not available.

Fiscal Year Audit Finding Initially Occurred

The audit finding was part of the auditor's report for the two years ended December 31, 1996.

Description of Audit Finding

Disclosure of district's risk and risk management activities, as required by generally accepted accounting principles, was not included in the district's notes to the financial statements for the two years ended December 31, 1996.

Was Corrective Action Taken

Yes

Planned Corrective Action/Partial Corrective Action Taken

The one and only audit finding was resolved.

SECTION 2 - MANAGEMENT LETTER

A management letter was not issued.