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GAS UTILITY DISTRICT NO. 1  
OF VERNON PARISH  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 08-09-00

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**ELLIOTT & ASSOCIATES, INC.**

*A Professional Accounting Corporation*

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W. Michael Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE  
FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Gas Utility District No. 1 of Vernon Parish

I have audited the accompanying general-purpose financial statements of the Gas Utility District No. 1 of Vernon Parish, a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Gas Utility District No. 1 of Vernon Parish's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gas Utility District No. 1 of Vernon Parish as of and for the year ended December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 1, 2000, on my consideration of the Gas Utility District No. 1 of Vernon Parish's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly state, in all material respects, in relation to the basic financial statements taken as a whole.

*Elliott & Assoc. "APAC"*

Leesville, Louisiana  
June 1, 2000

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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  
Gas Utility District No. 1 of Vernon Parish

I have audited the financial statements of the Gas Utility District No. 1 of Vernon Parish as of and for the year ended December 31, 1999, and have issued my report thereon dated June 1, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Gas Utility District No. 1 of Vernon Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Compliance

In planning and performing my audit, I considered the Gas Utility District No. 1 of Vernon Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Elliott & Assoc "APAC"*

Leesville, Louisiana  
June 1, 2000









COMPONENT UNIT FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

BALANCE SHEET

December 31, 1999

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 200,243
Receivables:	
Accounts (Note 3)	12,323
Accrued interest	<u>897</u>
Total current assets	<u>213,463</u>

Restricted assets:

Depreciation and contingency fund - checking	6,307
Depreciation and contingency fund - certificate of deposit	54,649
Meter deposit fund (Note 2)	<u>991</u>
Total restricted assets	<u>61,947</u>

Fixed assets (Note 4)

Property, plant and equipment	206,440
Less: accumulated depreciation	<u>(130,859)</u>
Fixed assets (net of accumulated depreciation)	<u>75,581</u>

Total assets \$ 350,991

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 6,828
Salaries payable	2,138
Sales taxes payable	309
Payroll taxes payable	<u>807</u>
Total current liabilities	<u>10,082</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>11,670</u>
Total liabilities	<u>21,752</u>
Equity:	
Retained earnings:	
Reserved for depreciation and contingency (Notes 6 and 7)	50,277
Unreserved-undesignated	<u>278,962</u>
Total retained earnings	<u>329,239</u>
Total equity	<u>329,239</u>
Total liabilities and equity	<u>\$ 350,991</u>

## GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Comparative Statement of Revenues, Expenses and  
Changes in Retained Earnings

For the year ended December 31, 1999

Operating revenues:	
Gas sales	\$ 86,460
Delinquent surcharges	1,785
Installation and connection fees	<u>1,519</u>
Total operating revenues	<u>89,764</u>
Operating expenses:	
Current:	
Gas purchases	41,012
Operator's salary	14,609
Other salaries	10,894
Bank charges	541
Office expense	2,819
Rent	360
Insurance	4,274
Taxes	4,605
Repairs	12,876
Depreciation	<u>4,925</u>
Total operating expenses	<u>96,915</u>
Operating income (loss)	<u>(7,151)</u>
Nonoperating revenues (expenses):	
Interest income	8,040
Miscellaneous income	<u>4,541</u>
Total nonoperating revenues (expenses)	<u>12,581</u>
Net income (loss)	5,430
Retained earnings, beginning	<u>323,809</u>
Retained earnings, ending	<u>\$329,239</u>

The accompanying notes are an integral part of this statement.

## GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

## Comparative Statement of Cash Flows

For the year ended December 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (7,151)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,925
Changes in assets and liabilities:	
Accounts receivable	(2,819)
Accounts payable	207
Other current liabilities	630
Ad valorem deductions payable	<u>290</u>
Net cash (used) by operating activities	<u>(3,918)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous income	<u>4,541</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of property, plant, and equipment	<u>( 859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>7,947</u>
Increase in cash	7,711
CASH, BEGINNING OF YEAR	<u>254,479</u>
CASH, END OF YEAR	<u>\$ 262,190</u>
CLASSIFIED AS	
Current Assets	\$ 200,243
Restricted Assets	<u>61,947</u>
Totals	<u>\$ 262,190</u>

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements

December 31, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, (Defining the Governmental Reporting Entity).

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Gas Utility District No. 1 of Vernon Parish "District" is a component unit of Vernon Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing gas service within the boundaries of the district.

A. FUND ACCOUNTING

Gas Utility District No. 1 of Vernon Parish is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.



GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity, (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest earning demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or United States bonds, treasury bills and notes, or certificates.

D. ACCOUNTS RECEIVABLE WRITE-OFF METHOD

The District has adopted a write off policy wherein any account that is deemed uncollectible is written off against the District's allowance for doubtful accounts when the individual account's collection efforts have been deemed unsuccessful.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH  
Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

E. FIXED ASSETS

The fixed assets of the gas district are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the District as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

F. VACATION AND SICK LEAVE

One full time employee of the District accrues up to seven days of sick leave each year. Upon resignation or retirement, unused sick leave is forfeited.

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At December 31, 1999, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and certificate of deposit	<u>\$200,243</u>	<u>\$ 61,947</u>	<u>\$262,190</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$262,190 and the bank balances were \$254,408. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$254,408
Uncollateralized (In accordance with GAAP)	---
	<u>\$254,408</u>

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH  
Notes to the Financial Statements (Continued)

NOTE 3--ACCOUNTS RECEIVABLE

Receivables at December 31, 1999 consist of the following:

Accounts	\$ 16,880
Less: Allowance for doubtful accounts	<u>(4,557)</u>
Net total receivables	<u>\$ 12,323</u>

Note 4--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

The following is a summary of changes in fixed assets for the year ended December 31, 1999:

	<u>Transmission System</u>	<u>Anodes and Equipment</u>	<u>Total</u>
December 31, 1998	\$ 161,149	\$ 44,432	\$ 205,581
Additions	---	859	859
Deletions	<u>---</u>	<u>---</u>	<u>---</u>
December 31, 1999	161,149	45,291	206,440
Less: Accumulated depreciation	<u>(108,586)</u>	<u>(22,273)</u>	<u>(130,859)</u>
Net	<u>\$ 52,563</u>	<u>\$ 23,018</u>	<u>\$ 75,581</u>

The following estimated useful lives are used to compute depreciation:

Improvements other than buildings	45 years
Furniture, fixtures, and equipment	15 years

NOTE 5--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH  
Notes to the Financial Statements (Continued)

NOTE 5--RISK MANAGEMENT (CONTINUED)

commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	LIMITS OF COVERAGE
Workmen's compensation	\$1,000,000
Auto liability	N/A
Commercial general liability	3,000,000
District-owned buildings and equipment	N/A

The District covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The District was not involved in any litigation during the year ended December 31, 1999, nor did it have asserted claims lodged against it.

NOTE 6--RESERVED RETAINED EARNINGS

The reserved retained earnings balance of \$50,277 is reserved for depreciation and contingency purposes specifically designated by the District's Board and the payment of meter deposits liabilities less the meter deposit fund.

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH  
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 1999

The Board of Commissioners of the Gas Utility District No. 1 of Vernon Parish served without compensation for the year ended December 31, 1999.

See independent auditor's report.



Gas Utility District No. 1 of Vernon Parish  
SCHEDULE OF PRIOR YEAR FINDINGS

For the Year ended December 31, 1999

**SECTION I                    INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

There were no prior year findings relating to internal control and compliance material to the financial statements.

**SECTION II                  INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

**SECTION III                MANAGEMENT LETTER**

There was no management letter with prior year audit report.

See independent auditor's report.

Gas Utility District No. 1 of Vernon Parish  
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year ended December 31, 1999

**SECTION I            INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENT**

N/A

**SECTION II          INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

N/A

**SECTION III        MANAGEMENT LETTER**

N/A

See independent auditor's report.