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THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

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 08-02-00





THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998



**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

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Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Louisiana Municipal Natural Gas
Purchasing and Distribution Authority

We have audited the accompanying balance sheet of The Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority) as of December 31, 1999, and the related statements of revenues, expenses and changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended December 31, 1998, were audited by other auditors whose opinion dated June 11, 1999, on those statements was unqualified.

We conducted our audit in accordance with generally accepted auditing standards and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 1999 financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana Municipal Natural Gas Purchasing and Distribution Authority as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report, dated April 19, 2000, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 19, 2000

**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

**BALANCE SHEETS
DECEMBER 31, 1999 AND 1998**

ASSETS

	<u>1999</u>	<u>1998</u>
Current assets:		
Cash	\$ 1,018,123	\$ 693,466
Accounts receivable	<u>3,311,639</u>	<u>2,531,825</u>
Total current assets	<u>4,329,762</u>	<u>3,225,291</u>
Furniture and equipment	114,125	114,125
Less accumulated depreciation	<u>(114,125)</u>	<u>(114,125)</u>
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,329,762</u>	<u>\$ 3,225,291</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities -		
accounts payable and other liabilities	\$ 4,189,594	\$ 3,141,600
Members' equity	<u>140,168</u>	<u>83,691</u>
Total liabilities and members' equity	<u>\$ 4,329,762</u>	<u>\$ 3,225,291</u>

See accompanying notes to financial statements.



**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Membership dues	\$ 347,739	\$ 342,529
Gas sales	13,482,576	15,083,763
Legal fees billed	49,062	48,754
Late charges	8,665	19,588
	<u>13,888,042</u>	<u>15,494,634</u>
Operating expenses:		
Cost of gas	13,482,576	15,083,762
Purchase agent fee (note 1(d))	247,741	244,664
Management fee (note 1(e))	99,096	105,494
Depreciation	-	4,153
Consulting fees	2,500	-
Legal fees paid	7,898	47,749
	<u>13,839,811</u>	<u>15,485,822</u>
Operating income	<u>48,231</u>	<u>8,812</u>
Non-operating revenues and (expenses):		
Interest income	8,036	11,320
Other income	210	4,318
	<u>8,246</u>	<u>15,638</u>
Net income	56,477	24,450
Members' equity, beginning of year	<u>83,691</u>	<u>59,241</u>
Members' equity, end of year	<u>\$ 140,168</u>	<u>\$ 83,691</u>

See accompanying notes to financial statements.



**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Cash flows from operating activities:		
Operating income	\$ 48,231	\$ 8,812
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	4,153
(Increase) decrease in accounts receivable	(779,814)	843,209
Increase (decrease) in accounts payable	1,047,994	(381,898)
Net cash provided by operating activities	316,411	474,276
Cash flows from investing activities:		
Other income (expense)	210	4,318
Interest income received	8,036	11,320
Net cash provided by investing activities	8,246	15,638
Net increase in cash	324,657	489,914
Cash, beginning of year	693,466	203,552
Cash, end of year	\$ 1,018,123	\$ 693,466

See accompanying notes to financial statements.



**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority) is a quasi-public corporation and an instrumentality of the state of Louisiana, created on November 23, 1987 pursuant to La. R.S. 33:4546.1 et seq. for the purpose of purchasing and distributing natural gas to participating municipalities and political subdivisions.

(a) *Basis of Accounting and Measurement Focus*

As a proprietary fund, the Authority's operations are accounted for using a flow of economic resources, measurement focus and the accrual basis of accounting. Under this method of accounting, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. The operating statements present increases (revenues) and decreases (expenses) in net total assets. The Authority maintains one proprietary fund type - the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--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 determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance. The Authority applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

(b) *Allowance for Uncollectible Accounts*

Management of the Authority is of the opinion that all of its accounts receivable are collectible; therefore, an allowance for uncollectible accounts has not been provided.

(c) *Depreciable Assets*

Depreciable assets are recorded at cost and depreciated over their estimated useful lives ranging from 5-7 years using the straight-line method.

(d) *Purchase Agent Fee*

Effective May 1, 1998, the Authority contracted a gas management firm to act as the exclusive agent to purchase natural gas for the Authority. The contract is for a five (5) year period ending April 30, 2003.

(e) *Management Fee*

The Authority contracted the Louisiana Municipal Association (LMA) to manage the affairs of the Authority. Under this agreement, LMA provides the Authority an Executive Director and other personnel necessary to carry out the functions of the Authority and its membership. The Authority's Board of Directors and Executive Committee administers and establishes policies for the management of the Authority.

The agreement is effective May 1, 1998 and shall be for a five (5) year period ending April 30, 2003.



**THE LOUISIANA MUNICIPAL NATURAL GAS
PURCHASING AND DISTRIBUTION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Revenues

The Authority purchases natural gas for its members and bills them for the cost of the gas plus a fee per unit of natural gas purchased. This fee comprises the Authority's membership dues. Accordingly, receivables from the members and payables to the vendors are generated when gas is delivered into the respective pipelines.

The membership dues collected from members is allocated in its entirety to pay the aforementioned Purchase Agent and Management fees.

(h) Cash Flows

For the purposes of the statements of cash flows, the Authority considers all amounts in demand deposit, money market accounts, and repurchase agreements to be cash.

2. DEPOSITS

At December 31, 1999 and 1998, the carrying amount of the Authority's deposit accounts at various financial institutions was \$1,018,123 and \$693,466, respectively. The bank balances were \$1,030,100 and \$502,113, respectively, of which the first \$100,000 was insured by Federal Depository Insurance and the remaining balance was covered by collateral pledged in the name of the Authority.





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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**

The Board of Directors
Louisiana Municipal Natural Gas Purchasing
and Distribution Authority:

We have audited the financial statements of Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority) as of and for the year ended December 31, 1999, and have issued our report thereon dated April 19, 2000. 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 Authority'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 Authority'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 solely for the information and use of Louisiana Municipal Natural Gas Purchasing and Distribution Authority and the Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 19, 2000