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**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA**

**JOINTLY OWNED GAS LINE  
OPERATION AND MAINTENANCE  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 1999**

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 ~~SEP 22 1999~~

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA**

**JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE**

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**SWITZER, HOPKINS & MANGE**  
Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
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JOHN M. JONES, CPA 1921 - 1983

**INDEPENDENT AUDITORS' REPORT**

**Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana**

We have audited the accompanying general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Towns' management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund as of June 30, 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*, we have also issued reports dated August 24, 1999 on our consideration of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's internal control structure on its compliance with laws and regulations.

Ferriday, Louisiana  
August 24, 1999

*Switzer, Hopkins & Mange*

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE**

**BALANCE SHEET  
June 30, 1999**

**ASSETS**

**Current assets:**

Cash	\$ 95,650
Certificates of deposit	64,499
Accounts receivable, trade (Note 2)	18,783
Interest receivable	<u>745</u>
Total assets	<u>179,677</u>

**LIABILITIES AND TOWNS' EQUITY**

**Current liabilities:**

Accounts payable	48,706
Customers' meter deposits	<u>165</u>
Total liabilities	<u>48,871</u>

**Towns' equity:**

Fund Balance	<u>130,806</u>
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Total liabilities and towns' equity	<u>\$ 179,677</u>
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The accompanying notes are an integral part of this statements.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE**

**STATEMENT OF INCOME  
FOR THE YEAR ENDED JUNE 30, 1999**

<b>Revenues:</b>	
<b>Sale of gas</b>	<b><u>\$ 284,427</u></b>
<b>Cost of gas sold</b>	<b><u>250,385</u></b>
<b>Gross income from operations</b>	<b><u>34,042</u></b>
<b>Operating expenses:</b>	
<b>Manager's fee</b>	<b>8,800</b>
<b>Repairs and maintenance</b>	<b>3,294</b>
<b>Legal and audit</b>	<b>750</b>
<b>Office supplies and postage</b>	<b>186</b>
<b>Drug testing</b>	<b>265</b>
<b>Other expenses</b>	<b><u>180</u></b>
<b>Total operating expenses</b>	<b><u>13,475</u></b>
<b>Net operating income</b>	<b>20,567</b>
<b>Other income:</b>	
<b>Interest income</b>	<b><u>5,885</u></b>
<b>Excess of revenues over expenses</b>	<b>26,452</b>
<b>Towns' equity at beginning of year</b>	<b><u>104,354</u></b>
<b>Towns' equity at end of year</b>	<b><u>\$ 130,806</u></b>

**The accompanying notes are an integral part of this statements.**

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1999**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 281,431
Cash payments to suppliers for goods and services	(245,356)
Cash payments to manager for services	<u>(8,800)</u>
Net cash provided by operating activities	<u>27,275</u>
<b>Cash flows from non-capital financing activities</b>	 <u>-</u>
<b>Cash flows from capital and related financing activities:</b>	 <u>-</u>
<b>Cash flows from investing activities:</b>	
Investment income	<u>5,894</u>
Net increase in cash and cash equivalents	33,169
Cash and cash equivalents at July 1, 1998	<u>126,980</u>
Cash and cash equivalents at June 30, 1999	<u>\$ 160,149</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 20,567
<b>Adjustments to reconcile operating income to net cash (used) by operating activities:</b>	
<b>Changes in assets and liabilities:</b>	
(Increase) in accounts receivable	(2,996)
Increase (decrease) in accounts payable	<u>9,704</u>
<b>Net cash provided by operating activities</b>	<u>\$ 27,275</u>

The accompanying notes are an integral part of this statement.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1999**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Jointly Owned Gas Line Operation and Maintenance Fund was established in October of 1954 for the purpose of providing natural gas from the Lake St. John gas field to the Towns of Newellton and St. Joseph, Louisiana. The transmission assets have been fully depreciated.

**Basis of Accounting**

The Jointly Owned Gas Line Operation and Maintenance fund uses the accrual basis of accounting.

**NOTE 2 – ACCOUNTS RECEIVABLE**

The trade accounts receivable at June 30, 1999 are summarized below:

Towns of Newellton and St. Joseph, Louisiana	\$ 9,204
Other customers	<u>9,579</u>
<b>Total accounts receivable</b>	<b><u>\$ 18,783</u></b>

**NOTE 3 – ACCOUNTS PAYABLE**

The accounts payable at June 30, 1999 are summarized below:

Pennzoil Petroleum	<u>\$ 48,076</u>
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**NOTE 4 – CASH AND CASH EQUIVALENTS**

Under state law, the gas line may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 1999 the gas line had cash and cash equivalents according to the bank's balances totaling \$160,214 as follows:

Demand deposit	\$ 95,715
Time deposits	<u>64,499</u>
<b>Total</b>	<b><u>\$160,214</u></b>

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1999**

**NOTE 4 – CASH AND CASH EQUIVALENTS – CONTINUED**

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 the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1999 are secured as follows:

Federal deposit insurance	<u>\$160,214</u>
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**NOTE 5 – RELATED PARTY TRANSACTIONS**

The Towns of Newellton and St. Joseph, Louisiana own the joint gas line and are the major purchaser of gas. Their respective amounts of gas purchased are as follows:

Newellton	\$137,506
St. Joseph	<u>116,002</u>
	<u>\$253,508</u>

**NOTE 6 – THE YEAR 2000 ISSUE**

The Year 2000 is a result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond if date sensitive coding is not corrected. The Company is aware of the year 2000 issue and is currently assessing all of its systems.



**INDEPENDENT AUDITORS' REPORT AND OTHER SCHEDULES  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

**TOWN OF NEWELLTON, LOUISIANA  
AND  
TOWN OF ST. JOSEPH, LOUISIANA  
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1999**

**A. Summary of Audit Results**

The auditors' report expresses an unqualified opinion on the general-purpose financial statements of the Town of Newellton and St. Joseph Jointly Owned Gas Line Operation and Maintenance.

The reportable conditions in internal control disclosed during the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards.

**B. Findings – Financial Statement Audit**

**99-1 Segregation of Duties**

**Condition:** There is insufficient segregation of duties necessary to have an effective internal control.

Since the cost of an internal control system should not outweigh the benefits derived from it, we can only recommend that the Gas Line consider and analyze the costs versus the benefits associated with hiring additional administrative/accounting personnel.

Management concurs with the finding. Due to budget and staff limitations, additional personnel needed to have a complete segregation of duties can not be accomplished at this time.

**99-2 Issuance of 1099's**

**Condition:** During the course of the audit, we noted that the manager of the Jointly Owned Gas Line was not issued a 1099 reporting fees earned.

We recommend that 1099's be issued when required on a timely basis.

Management concurs with the finding. They will issue 1099's as required in the future.

**TOWN OF NEWELLTON, LOUISIANA  
AND  
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JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE**

**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 1999**

**INTERNAL CONTROL FINDINGS**

**98-1 Segregation of Duties  
(For fiscal year ending June 30, 1998)**

**Condition:** There is an insufficient segregation of duties to have an effective internal control.

**Current status:** This finding still applies and is noted in the current audit for the year ending June 30, 1999. (See current finding noted as 99-1). Management indicates that no action can be taken at this time.

**SWITZER, HOPKINS & MANGE**  
Certified Public Accountants

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H. MYLES HOPKINS, CPA  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Towns of Newellton and St. Joseph, Louisiana**

We have audited the general purpose financial statements of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance as of and for the year ended June 30, 1999, and have issued our report thereon dated August 24, 1999. We have 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 Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non compliance 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 object 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 Town of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider being reportable conditions. Reportable

**Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana  
Jointly Owned Gas Line Operation and Maintenance  
Page Two**

**conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Town of Newellton and St. Joseph Louisiana Jointly Owned Gas Line Operation and Maintenance Fund's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2.**

**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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.**

**This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.**

**Ferriday, Louisiana  
August 24, 1999**

*Switzer, Hopkins & Mange*

**TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA  
JOINT OPERATIONS AND MAINTENANCE GAS LINE  
POST OFFICE BOX 217  
ST. JOSEPH, LOUISIANA 71366**

**August 24, 1999**

**Switzer, Hopkins & Mange  
P. O. Box 478  
Ferriday, LA 71334**

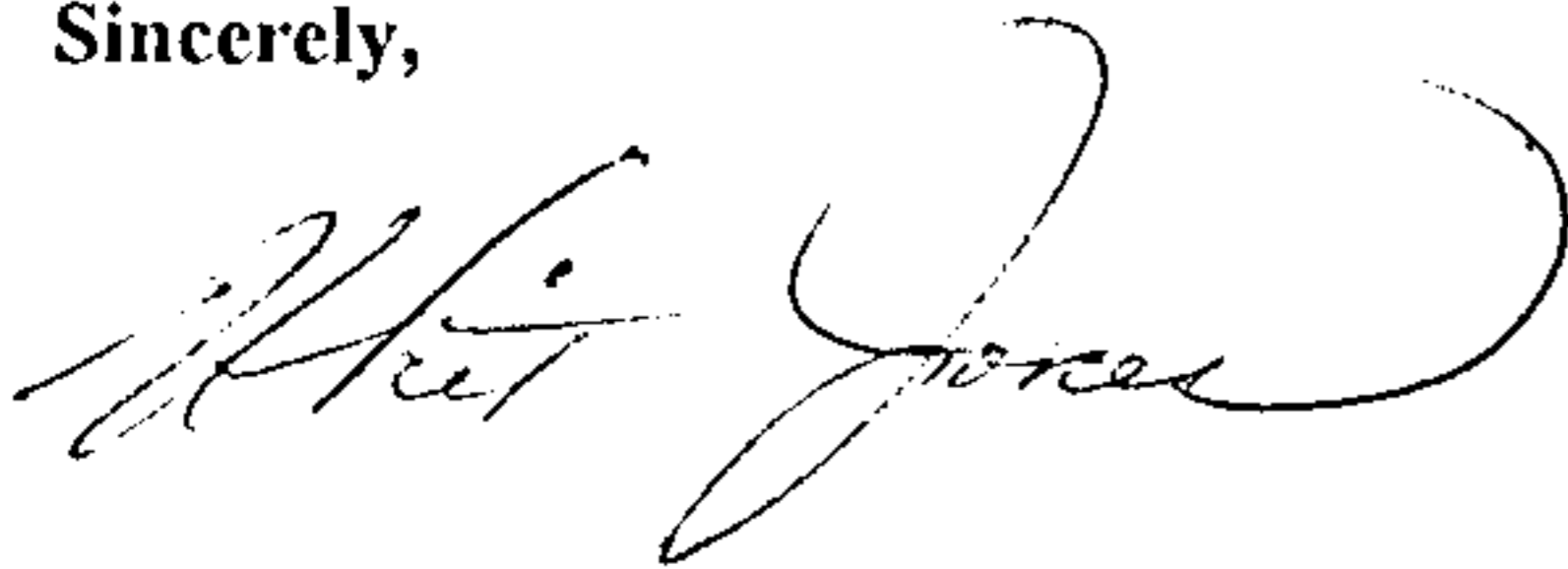
**Dear Mr. Hopkins:**

**In regard to the segregation of duties internal control problem discussed in our audit for the year ended June 30, 1999, there is nothing that we can do or plan to do about the problem. We have only one employee and do not plan to hire anyone else. There is not way to segregate duties when you have only one employee.**

**In regard to the issuing of forms 1099, we intend to comply with this requirement in the future.**

**Please let me know if you need any additional information.**

**Sincerely,**

A handwritten signature in cursive script, appearing to read "Albert Jones". The signature is written in black ink and is positioned below the word "Sincerely,".