

00 0000 00:32

**OFFICIAL
FILE COPY**
DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**GAS UTILITY DISTRICT NO. 1
OF VERNON PARISH**
ANNUAL FINANCIAL REPORT
DECEMBER 31, 1998

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

CONTENTS

	Exhibit	Page
UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY	-	1 - 2
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	-	3 - 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	-	5 - 6
COMPONENT UNIT FINANCIAL STATEMENTS		
Balance Sheet	A	8
Statement of Revenues, Expenses, and Changes in Retained Earnings	B	9
Statement of Cash Flows	C	10
Notes to financial statements	-	11-16
SUPPLEMENTARY INFORMATION		
Schedule 1 - Compensation of Board Members	-	18
Schedule 2 - Schedule of Prior Year Findings	-	19
Schedule 3 - Management's Corrective Action Plan	-	20
REQUIRED SUPPLEMENTAL INFORMATION - YEAR 2000 SUPPLEMENTARY INFORMATION		21

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535

(318) 238-5135

Fax 239-2295

W. Micheal 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 two years ended December 31, 1998, 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 two years ended December 31, 1998, 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 15, 1999, 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.

The year 2000 supplementary information on page 21 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and the presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the Gas Utility District No. 1 of Vernon Parish is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

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 15, 1999

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535
(318) 238-5135
Fax 239-2295

W. Micheal Elliott, CPA

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 two years ended December 31, 1998, and have issued my report thereon dated June 15, 1999. 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 15, 1999

Gas Utility District No. 1 of Vernon Parish
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Two Years Ended December 31, 1998

I have audited the financial statements of Gas Utility District No. 1 of Vernon Parish as of and for the two years ended December 31, 1998, and have issued my report thereon dated June 15, 1999. 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. My audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

**a. Report on Internal Control and Compliance
Material to the Financial Statements**

Internal Control

Material Weaknesses () Yes (X) No
Reportable Conditions () Yes (X) No

Compliance

Compliance Material to Financial
Statements () Yes (X) No

b. Federal Awards

Internal Control

Material Weaknesses () Yes () No (X) N/A
Reportable Conditions () Yes () No (X) N/A

Type of Opinion On Compliance For Major Programs

Unqualified () Qualified ()
Disclaimer () Adverse ()
N/A (X)

Are their findings required to be reported in accordance with Circular
A-133, Section .510(a)?

() Yes () No (X) N/A

COMPONENT UNIT FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

BALANCE SHEET

December 31, 1998

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 196,764
Receivables:	
Accounts (Note 3)	9,504
Accrued interest	<u>804</u>

Total current assets 207,072

Restricted assets:

Depreciation and contingency fund - checking	4,069
Depreciation and contingency fund - certificate of deposit	42,266
Meter deposit fund (Note 2)	<u>11,380</u>

Total restricted assets 57,715

Fixed assets (Note 4)

Property, plant and equipment	205,581
Less: accumulated depreciation	<u>(125,934)</u>

Fixed assets (net of accumulated
depreciation) 79,647

Total assets \$ 344,434

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 6,621
Salaries payable	1,587
Sales taxes payable	232
Ad valorem deductions payable	<u>805</u>
Total current liabilities	<u>9,245</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>11,380</u>
Total liabilities	<u>20,625</u>
Equity:	
Retained earnings:	
Reserved for depreciation and contingency (Notes 6 and 7)	46,335
Unreserved-undesignated	<u>277,474</u>
Total retained earnings	<u>323,809</u>
Total equity	<u>323,809</u>
Total liabilities and equity	<u>\$ 344,434</u>

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings

For the two years ended December 31, 1998

	Year ended December 31,	
	1998	1997
Operating revenues:		
Gas sales	\$ 93,458	\$ 108,155
Delinquent surcharges	2,343	2,107
Installation and connection fees	<u>1,252</u>	<u>2,879</u>
Total operating revenues	<u>97,053</u>	<u>113,141</u>
Operating expenses:		
Current:		
Gas purchases	44,724	44,543
Operator's salary	12,287	10,376
Other salaries	10,384	9,942
Bank charges	435	799
Office expense	3,888	2,363
Rent	360	360
Insurance	4,625	4,538
Taxes	4,606	5,410
Repairs	13,723	10,769
Depreciation	<u>4,929</u>	<u>4,793</u>
Total operating expenses	<u>99,961</u>	<u>93,893</u>
Operating income (loss)	<u>(2,908)</u>	<u>19,248</u>
Nonoperating revenues (expenses):		
Interest income	8,209	8,068
Miscellaneous income	<u>6,546</u>	<u>4,429</u>
Total nonoperating revenues (expenses)	<u>14,755</u>	<u>12,497</u>
Net income (loss)	<u>11,847</u>	<u>31,745</u>
Retained earnings, beginning	311,962	278,417
Prior period adjustment (Note 6)	<u>---</u>	<u>1,800</u>
Retained earnings, beginning, as restated	<u>311,962</u>	<u>280,217</u>
Retained earnings, ending	<u>\$323,809</u>	<u>\$311,962</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 two years ended December 31, 1998

	Year ended December 31,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (2,908)	\$ 19,248
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,929	4,793
Changes in assets and liabilities:		
Accounts receivable	5,599	(4,229)
Accounts payable	(3,834)	3,149
Other current liabilities	207	(310)
Ad valorem deductions payable	(1,265)	90
Net cash (used) by operating activities	<u>2,728</u>	<u>22,741</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous income	<u>6,546</u>	<u>4,429</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of property, plant, and equipment	<u>(3,514)</u>	<u>(1,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>8,210</u>	<u>7,263</u>
Increase in cash	13,970	33,336
CASH, BEGINNING OF YEAR	<u>240,509</u>	<u>207,173</u>
CASH, END OF YEAR	<u>\$254,479</u>	<u>\$ 240,509</u>
CLASSIFIED AS		
Current Assets	\$196,764	\$ 198,596
Restricted Assets	<u>57,715</u>	<u>41,913</u>
Totals	<u>\$254,479</u>	<u>\$ 240,509</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, 1998

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, 1998, 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>\$196,764</u>	<u>\$ 57,715</u>	<u>\$254,479</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$254,479, and the bank balances were \$311,191. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$200,000
Uncollateralized (In accordance with GAAP - See below)	<u>111,191</u>
	<u>\$311,191</u>

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 2--CASH AND INVESTMENT COLLATERAL (Continued)

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 the federal deposit insurance must at all times at least equal the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$114,363 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose 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.

NOTE 3--ACCOUNTS RECEIVABLE

Receivables at December 31, 1998 consist of the following:

Accounts	\$ 14,120
Less: Allowance for doubtful accounts	<u>(4,616)</u>
Net total receivables	<u>\$ 9,504</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.

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

NOTE 4--CHANGES IN FIXED ASSETS (CONTINUED)

The following is a summary of changes in fixed assets for the two years ended December 31, 1998:

	<u>Transmission System</u>	<u>Anodes and Equipment</u>	<u>Total</u>
December 31, 1996	\$ 161,149	\$ 39,821	\$ 200,970
Additions:			
1997	---	1,097	1,097
1998	---	3,514	3,514
Deletions:			
1997	---	---	---
1998	---	---	---
December 31, 1998	161,149	44,432	205,581
Less: Accumulated depreciation	<u>(105,363)</u>	<u>(20,571)</u>	<u>(125,934)</u>
Net	<u>\$ 55,786</u>	<u>\$ 23,861</u>	<u>\$ 79,647</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 commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

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

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 5--RISK MANAGEMENT (Continued)

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 two year period ended December 31, 1998, nor did it have asserted claims lodged against it.

NOTE 6--PRIOR PERIOD ADJUSTMENT

For several years, the District has carried a \$1,800 liability on its books for matured bonds and coupons payable even though its bond issue was paid off in 1995. Research by the District with the bond issue's fiscal agent revealed that all matured bond funds had been escheated to the State of Louisiana Unclaimed Property Unit; thus, no liability should exist now on the District's books. A prior period adjustment was made during 1997 to correct the situation and the adjustment is now reflected in the 1997 financial statements.

NOTE 7--RESERVED RETAINED EARNINGS

The reserved retained earnings balance of \$46,335 is reserved for depreciation and contingency purposes specifically designated by the District's Board.

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the two years ended December 31, 1998

The Board of Commissioners of the Gas Utility District No. 1 of Vernon Parish served without compensation for the two years ended December 31, 1998.

See independent auditor's report.

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

For the Two Years Ended December 31, 1998

**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 Two Years Ended December 31, 1998

**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.

Gas Utility District No. 1 of Vernon Parish
Required Supplemental Information
Year 2000 Supplementary Information
December 31, 1998

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District does not have any of its operations that are computer related as all of its records are kept manually. Furthermore, the District has no plans to change this method in the next two years.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that parties with whom the District does business will be Year 2000 ready.

See independent auditor's report.