

Rapides Parish Gas Utility District No. 2
Annual Financial Report
For the Year Ended December 31, 2003

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 9.1.04

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ROZIER, HARRINGTON & MCKAY

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June 17, 2004

Independent Accountants' Report

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

We have compiled the accompanying balance sheet of Rapides Parish Gas Utility District No. 2 as of December 31, 2003, and the related statement of revenues, expenses and changes in retained earnings for the year then ended, the related statement of cash flows for the year then ended, and the accompanying supplementary information contained in the schedule of per diem paid to board members which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated June 17, 2004, on the results of our agreed-upon procedures.



ROZIER, HARRINGTON, & MCKAY
Certified Public Accountants

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

Rapides Parish Gas Utility District No. 2

Balance Sheet
December 31, 2003

	<u>Proprietary Fund - (Utility Enterprise Fund)</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 257,687
Receivables	23,827
Prepaid expenses	<u>1,682</u>
Total Current Assets	283,196
Property and equipment (net of accumulated depreciation)	<u>221,916</u>
Total Assets	<u><u>\$ 505,112</u></u>
<u>LIABILITIES AND EQUITY</u>	
<u>Current Liabilities:</u>	
Accounts payable - operating	\$ 18,644
Current portion - advances payable	29,205
Customer deposits	<u>18,980</u>
Total Current Liabilities	66,829
<u>Long-Term Liabilities:</u>	
Advances payable	<u>142,839</u>
Total Liabilities	209,668
<u>Equity:</u>	
Retained earnings	<u>295,444</u>
Total Equity	<u>295,444</u>
Total Liabilities and Equity	<u><u>\$ 505,112</u></u>

See the Accompanying Accountants' Report.

Rapides Parish Gas Utility District No. 2

Statement of Revenues, Expenses, and Changes in Retained Earnings For the Year Ended December 31, 2003

	<u>Proprietary Fund - (Utility Enterprise Fund)</u>
<u>OPERATING REVENUES:</u>	
Sales of natural gas	\$ 156,600
Other operating revenue	840
Total revenues	<u>157,440</u>
<u>OPERATING EXPENSES:</u>	
Purchases of natural gas	112,046
Salaries and wages	22,685
Employee benefits and payroll taxes	1,737
Legal and professional	825
Insurance and bonding	4,843
Depreciation	11,509
Repairs and maintenance	16,143
Telephone and utilities	2,250
Office supplies and expense	3,149
Other operating expense	2,009
Total expenses	<u>177,196</u>
Operating Income	<u>(19,756)</u>
<u>OTHER INCOME AND EXPENSES:</u>	
Interest income	2,775
Other expense	(29)
Total other income and expenses	<u>2,746</u>
Net income (loss)	(17,010)
Retained earnings (deficit) - beginning of year	<u>312,454</u>
Retained earnings (deficit) - end of year	<u>\$ 295,444</u>

See the Accompanying Accountants' Report.

Rapides Parish Gas Utility District No. 2

Statement of Cash Flows For the Year Ended December 31, 2003

	<u>Proprietary Fund - (Utility Enterprise Fund)</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income	\$ (19,756)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,509
Miscellaneous	(29)
(Increase) decrease in operating receivables	1,779
(Increase) decrease in prepaid expenses	3,525
Increase (decrease) in accounts payable	6,630
Increase (decrease) in customer deposits	1,045
	<hr/>
Net cash provided (used) by operating activities	4,703
	<hr/>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Cash payments for property and equipment	<hr/> -
	<hr/>
Net cash provided (used) by capital and related financing activities	-
	<hr/>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest receipts	<hr/> 2,775
	<hr/>
Net cash provided (used) by investing activities	2,775
	<hr/>
Net increase (decrease) in cash	7,478
Beginning cash balance	<hr/> 250,209
Ending cash balance	<hr/> <u>\$ 257,687</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

For the year ended December 31, 2003, there were no investing or financing activities that did not result in cash receipts or payments.

See the Accompanying Accountants' Report.

Rapides Parish Gas Utility District No. 2
Rapides Parish Police Jury
Notes to the General Purpose Financial Statements

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. For the year ended December 31, 2003, members of the district's Board of Commissioners served without compensation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Presentation

The accompanying financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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. There is no information presented in the financial statements or accompanying notes on the Rapides Parish Police Jury or other governmental units that comprise the financial reporting entity.

Fund Accounting

The district 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.

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

Rapides Parish Gas Utility District No. 2
Rapides Parish Police Jury
Notes to the General Purpose Financial Statements

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 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.

Cash And Cash Equivalents

Cash of the district at December 31, 2003, consists of an interest bearing demand deposit. Under state law, the district 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.

Prepaid Expenses

Prepaid expenses, a current asset account on the balance sheet of the Enterprise Fund, reflect 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.

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 is not available. The total valuation of fixed assets whose costs are estimated represent 37 percent of the total fixed assets reported at December 31, 2003. 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 portable buildings and over an estimated useful life of four years for equipment.

Rapides Parish Gas Utility District No. 2
Rapides Parish Police Jury
Notes to the General Purpose Financial Statements

2. CASH AND CASH EQUIVALENTS

At December 31, 2003, the district has \$257,687 (book balance) in cash on deposit in an interest bearing demand deposit.

This deposit is stated at cost, which approximates market. Under state law, the deposit (or the resulting bank balance) 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 parities. At December 31, 2003, the district has \$272,216 on deposit (collected bank balance). This deposit is secured from risk by \$100,000 of federal deposit insurance and \$191,257 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, 2003, total \$23,827 and result from sales of natural gas to customers of the district.

Management feels that losses from uncollectible receivables resulting from the sales of natural gas will be minimal. Consequently, there is no allowance recorded in the accounts for these receivables that may be uncollectible.

4. FIXED ASSETS AND ACCUMULATED DEPRECIATION

A summary of fixed assets and accumulated depreciation thereon at December 31, 2003, follows:

	Cost / Estimated Cost	Less Accumulated Depreciation	Net Fixed Assets
Natural gas distribution system	\$ 379,493	\$ (159,357)	\$ 220,136
Portable buildings	3,210	(2,353)	857
Equipment	13,067	(12,144)	923
Net fixed assets	\$ 395,770	\$ (173,854)	\$ 221,916

Rapides Parish Gas Utility District No. 2
Rapides Parish Police Jury
Notes to the General Purpose Financial Statements

5. UTILITY RELOCATION ASSISTANCE ADVANCES

Due to the widening of a section of Highway One South, the district was forced to relocate a part of its system located within a state highway right of way affected by the highway-widening project; the total cost of the relocation project was \$194,153. The Louisiana Department of Transportation (LDOTD) provided the district with utility relocation assistance advances totaling \$172,043 to aid in the financing of the cost of the relocation project.

The advances are not loans or grants and no interest will be charged on them. However, the district must repay the advances eventually, or it will not be allowed to locate a part of its system within the affected state highway right of way. The district may repay the advances in a lump sum, in partial amounts, in exchange for goods and/or services or any combination thereof. Issuance of a state highway right of way permit to the district will be suspended until the advances are repaid in full, or the district shows a good faith effort to repay the advances by making annual payments of the LDOTD calculated at five percent of its yearly gross income, or ten percent of the outstanding balance of the advances. The district has elected to repay the advances in annual payments calculated at five percent of its yearly gross income; payments are due by January 15th of each year and are to be made to the LDOTD.

At December 31, 2003, payments totaling \$29,205 are due in year 2003 and for prior years on the advances and \$142,839 is due in years after year 2004. The two aforesaid amounts total \$172,044 and are shown on the balance sheet of the Enterprise Fund under current liabilities payable from current assets and as a long-term liability payable from current assets respectively.

6. RISK AND 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.

Rapides Parish Gas Utility District No. 2

Schedule of Per Diem Paid to Board Members

For the Year Ended December 31, 2003

For the year ended December 31, 2003, members of the Gas Utility District's governing board served without compensation.

See the Accompanying Accountants' Report

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

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June 17, 2004

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Rapides Parish Gas Utility District No. 2
Colfax, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Rapides Parish Gas Utility District No. 2 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Rapides Parish Gas Utility District No. 2's compliance with certain laws and regulations during the year ended December 31, 2003, included in the *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

PUBLIC BID LAW

1. Select all purchases made during the year for material and supplies exceeding \$7,500, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no purchases during the year that meet the scope of the public bid law.

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. Obtain from management a list of the immediate family members of the board members as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

Rapides Parish Gas Utility District No. 2
June 17, 2004

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with all payroll records.

4. Determine whether any of those employees included in the records obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the reports provided by management in agreed-upon procedure (2).

BUDGETING

5. Obtain a copy of the legally adopted budget and all amendments.

Not Applicable

Since all of the Utility District's activities are reported in an enterprise fund, it is not required to adopt a budget.

6. Trace the budget adoption and amendments to the minute book.

Not Applicable

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

Not Applicable

ACCOUNTING AND REPORTING

8. Randomly select six disbursements made during the period under examination and:

(a) Trace payments to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

(b) Determine if payments were properly coded to the correct fund and general ledger account.

All of the payments were properly coded to the correct fund and general ledger account.

(c) Determine whether payments received approval from proper authorities.

Rapides Parish Gas Utility District No. 2
June 17, 2004

Inspection of documentation supporting each of the six selected disbursements indicated that each check was signed by two board members. No further approval was required.

MEETINGS

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Utility District is only required to post a notice of each meeting and the accompanying agenda on the door of the meeting facility. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion.

DEBT

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

Based on analysis of the cash receipts journal there were no new bank loans, bonds or like indebtedness issued during the current year.

ADVANCES AND BONUSES

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

We inspected payroll records and read minutes for the year. No instances which would indicate payments to employees which would constitute bonuses, advances, or gifts were noted as a result of these procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Rapides Parish Gas Utility District No. 2 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
CERTIFIED PUBLIC ACCOUNTANTS

**RAPIDES PARISH GAS UTILITY DISTRICT NO. 2
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2003**

SECTION I COMPILATION REPORT	
N/A – No findings of this nature were reported.	Response – N/A
SECTION II ATTESTATION REPORT	
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
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2003

SECTION I COMPILATION REPORT	
N/A – No findings of this nature were reported.	Response – N/A
SECTION II ATTESTATION REPORT	
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

LOUISIANA ATTESTATION QUESTIONNAIRE
FOR THE YEAR ENDED DECEMBER 31, 2003

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

_____ (Date Transmitted)

Rozier, Harrington & McKay
Post Office Box 12178
Alexandria, Louisiana 71315

In connection with your compilation of our financial statements as of **December 31, 2003** and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of the date transmitted as presented above.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes [] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [] No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [] No []

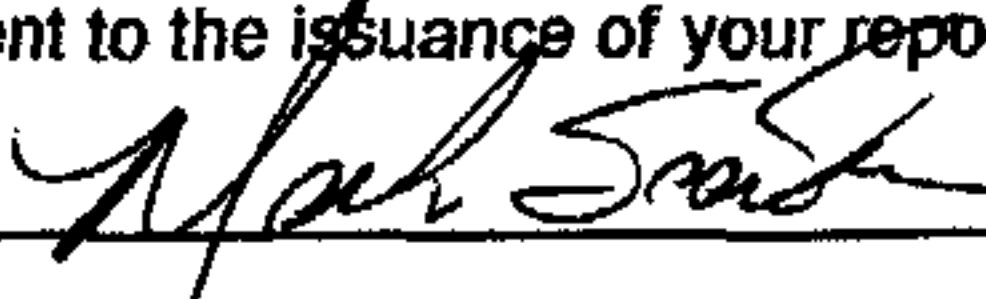
Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.


Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.


 _____ Secretary 6/03/04 Date

_____ Treasurer _____ Date


 _____ President 6/6/04 Date