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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

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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 6-30-04



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**Postlethwaite & Netterville**

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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 sheets of The Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority) as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in members' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated May 6, 2004, 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  
May 6, 2004

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

**BALANCE SHEETS**  
**DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 712,240	\$ 295,134
Accounts receivable	5,168,076	3,614,240
Total current assets	<u>5,880,316</u>	<u>3,909,374</u>
Furniture and equipment	100,851	100,851
Less accumulated depreciation	<u>(100,851)</u>	<u>(100,851)</u>
	-	-
Total assets	<u>\$ 5,880,316</u>	<u>\$ 3,909,374</u>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities:		
Accounts payable and other liabilities	\$ 5,683,779	\$ 3,494,743
Line of credit	-	225,895
	<u>5,683,779</u>	<u>3,720,638</u>
Members' equity	<u>196,537</u>	<u>188,736</u>
Total liabilities and members' equity	<u>\$ 5,880,316</u>	<u>\$ 3,909,374</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, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Gas sales	\$ 31,292,724	\$ 23,091,800
Membership dues	376,931	384,099
Legal fees billed	53,848	54,353
Late charges	15,195	21,621
	<hr/>	<hr/>
Total operating revenues	31,738,698	23,551,873
	<hr/>	<hr/>
Operating expenses:		
Cost of gas	31,292,724	23,091,800
Purchase agent fee (note 1(d))	269,236	274,356
Management fee (note 1(e))	107,695	109,742
Interest expense	11,399	11,851
Legal fees paid	53,429	65,802
Miscellaneous expenses	68	60
	<hr/>	<hr/>
Total operating expenses	31,734,551	23,553,611
	<hr/>	<hr/>
Operating income (loss)	4,147	(1,738)
	<hr/>	<hr/>
Other revenues:		
Interest income	3,654	3,664
	<hr/>	<hr/>
Net income	7,801	1,926
	<hr/>	<hr/>
Members' equity, beginning of year	188,736	186,810
	<hr/>	<hr/>
Members' equity, end of year	<u>\$ 196,537</u>	<u>\$ 188,736</u>

See accompanying notes to financial statements.



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

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Operating (loss) income	\$ 4,147	\$ (1,738)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Change in accounts receivable	(1,553,836)	383,811
Change in accounts payable and other liabilities	2,189,036	(269,364)
Net cash provided by operating activities	<u>639,347</u>	<u>112,709</u>
Cash flows from investing activities:		
Interest income received	<u>3,654</u>	<u>3,664</u>
Net cash provided by investing activities	<u>3,654</u>	<u>3,664</u>
Cash flows from financing activities:		
Net change in line of credit	<u>(225,895)</u>	<u>(288,510)</u>
Net cash used in financing activities	<u>(225,895)</u>	<u>(288,510)</u>
Net change in cash	417,106	(172,137)
Cash, beginning of year	<u>295,134</u>	<u>467,271</u>
Cash, end of year	<u>\$ 712,240</u>	<u>\$ 295,134</u>

See accompanying notes to financial statements.



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

**NOTES TO FINANCIAL STATEMENTS**

**1. 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, which is 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 based upon favorable history over a substantial period of time; 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. At December 31, 2003 and 2002, all depreciable assets are fully depreciated.

**(d) *Purchase Agent Fee***

The Authority contracts with 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, 2008.

**(e) *Management Fee***

The Authority contracts 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 for a five (5) year period ending April 30, 2008.





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

**NOTES TO FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*(f) Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and assumptions.

*(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 and other operating costs of the Authority.

*(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.

*(i) Income Taxes*

The Authority is exempt from income taxes.

2. **DEPOSITS**

At December 31, 2003 and 2002, the carrying amount of the Authority's deposit accounts at various financial institutions was \$712,240 and \$295,134, respectively. The bank balances were \$712,240 and \$301,753, 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.

3. **PURCHASE COMMITMENTS**

The Authority routinely enters into gas purchase commitments with various vendors in the ordinary course of business. The purchase commitments usually include the volume of gas to be purchased and the purchase price of these volumes. The Authority bills its members based on the actual cost of gas incurred. During 2003, the Authority purchased approximately 87% of its gas purchases from four vendors which individually comprised purchases of 38%, 20%, 16% and 13%. During 2002, the Authority purchased approximately 78% of its gas purchases from two vendors which comprised purchases of 59% and 19%.



**THE LOUISIANA MUNICIPAL NATURAL GAS  
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**NOTES TO FINANCIAL STATEMENTS**

**4. LINE OF CREDIT**

During 2001, the Authority established a line of credit with a bank in the amount of \$5,000,000. As of December 31, 2003 and 2002, the Authority had \$0 and \$225,895, respectively, outstanding on its line of credit. The line of credit bears interest at the Wall Street Journal published prime rate which was 4.125% and 4.25% at December 31, 2003 and 2002, respectively. The line of credit is secured by the Authority's accounts receivable and pledge of revenues, and matures on October 23, 2004.





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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, 2003, and have issued our report thereon dated May 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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  
May 6, 2004