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, 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: SEP 23, 1998
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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, 1998, 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 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. 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, 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, we have also issued reports dated September 2, 1998 on our consideration of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operation and Maintenance’s internal control structure and on its compliance with laws and regulations.

Ferriday, Louisiana
September 2, 1998

Switzer, Hopkins & Mange
TOWN OF NEWELLTON, LOUISIANA
AND
TOWN OF ST. JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE

BALANCE SHEET
JUNE 30, 1998

ASSETS

Current assets:
Cash $ 64,818
Certificates of deposit 62,162
Accounts receivable, trade (Note 2) 15,787
Interest receivable 754
Total assets 143,521

LIABILITIES AND TOWNS' EQUITY

Current liabilities:
Accounts payable 39,002
Customers' meter deposits 165
Total liabilities 39,167

Towns' equity:
Fund balance 104,354

Total liabilities and towns' equity $ 143,521

The accompanying notes are an integral part of this statement.
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, 1998

Revenues:
Sale of gas $313,029
Cost of gas sold 282,927
Gross income from operations 30,102

Operating expenses:
Manager's fee 10,400
Repairs and maintenance 3,293
Legal and audit 750
Office supplies and postage 128
Leak survey 1,229
Drug testing 150
Other expenses 90
Total operating expenses 16,040
Net operating income 14,062

Other income:
Interest income 5,902
Excess of revenues over expenses 19,964

Towns' equity at beginning of year (Restated - Note 6) 84,390
Towns' equity at end of year $104,354

The accompanying notes are an integral part of this statement.

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Cash flows from operating activities:
  Cash received from customers $ 309,101
  Cash payments to suppliers for goods (303,413)
      and services
  Cash payments to manager for services (10,400)
  Net cash (used) by operating activities (4,712)

Cash flows from non-capital financing activities

Cash flows from capital and related financing activities:

Cash flows from investing activities:
  Investment income $  5,768
  Net increase in cash and cash equivalents 1,056

Cash and cash equivalents at July 1, 1997 125,924

Cash and cash equivalents at June 30, 1998 $ 126,980

Reconciliation of operating income to net cash provided (used) by operating activities:
  Operating income $ 14,062
  Adjustments to reconcile operating income to net cash (used) by operating activities:
    Changes in assets and liabilities:
      (Increase) in accounts receivable (3,928)
      (Decrease) in accounts payable (14,846)
  Net cash provided by operating activities $ (4,712)

The accompanying notes are an integral part of this statement.
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, 1998 are summarized below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towns of Newellton and St. Joseph, Louisiana</td>
<td>$14,703</td>
</tr>
<tr>
<td>Other customers</td>
<td>$1,084</td>
</tr>
<tr>
<td><strong>Total accounts receivable</strong></td>
<td><strong>$15,787</strong></td>
</tr>
</tbody>
</table>

NOTE 3 - ACCOUNTS PAYABLE

The accounts payable at June 30, 1998 are summarized below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennzoil Petroleum</td>
<td>$39,002</td>
</tr>
</tbody>
</table>

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, 1998, the gas line had cash and cash equivalents according to the bank's balances totaling $138,230 as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>$76,068</td>
</tr>
<tr>
<td>Time deposits</td>
<td>62,162</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$138,230</strong></td>
</tr>
</tbody>
</table>
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, 1998 are secured as follows:

Federal deposit insurance $138,230

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 $149,105
St. Joseph 124,547
$273,652

The Towns of Newellton and St. Joseph are each billed at the same rates and these rates are the same as the other customers of the joint line.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

Previously recognized accounts payable relating to gas purchases were retroactively adjusted this year. This resulted in the following changes to the fund balance:

As previously reported, June 30, 1997 $37,425
Adjusted accounts payable 46,965
As adjusted, June 30, 1997 $84,390
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 Fund, for the year ended June 30, 1998 and have issued our report thereon dated September 2, 1998. 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 Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund'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, noncompliance with which could have a direct and material effect on the determination of financial statements 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 Towns of Newellton and St. Joseph, Louisiana, Jointly Owned Gas Line Operation and Maintenance Fund'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters...
Honorable Mayors of the Towns of Newellton and St. Joseph, Louisiana
Jointly Owned Gas Line Operation and Maintenance
Page Two

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 Towns 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.

We noted that the Towns do not have adequate segregations of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

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 of management 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
September 2, 1998

Switzer, Hopkins & Mage
September 16, 1998

Switzer, Hopkins & Mange
Post Office Box 1518
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, 1998, 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 no way to segregate duties when you have only one employee.

Please let us know if you need any additional information.

Sincerely,

[Signature]

Mayor