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GAS UTILITY DISTRICT NO. 1  
OF VERNON PARISH  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2002

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 8/13/03

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# ELLIOTT & ASSOCIATES, INC.

*A Professional Accounting Corporation*

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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 year ended December 31, 2002, 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 year ended December 31, 2002, and the results of its operations and cash flows 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 18, 2003, 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 certain provisions of laws, regulations, contracts and grants.

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 stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Elliott & Assoc. "APAC"*

Leesville, Louisiana

June 18, 2003

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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*

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 year ended December 31, 2002, and have issued my report thereon dated June 18, 2003. 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 operations that I consider to be a material weakness. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered 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 18, 2003

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

For the Year ended December 31, 2002

I have audited the financial statements of Gas Utility District No. 1 of Vernon Parish as of and for the year ended December 31, 2002, and have issued my report thereon dated June 18, 2003. 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, 2002 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     No  
Reportable Conditions     Yes     No

Compliance

Compliance Material to Financial  
Statements                       Yes     No

*b. Federal Awards*

Internal Control

Material Weaknesses       Yes     No     N/A  
Reportable Conditions     Yes     No     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       N/A



COMPONENT UNIT FINANCIAL STATEMENTS

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

BALANCE SHEET

December 31, 2002

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 250,100
Receivables:	
Accounts, net (Note 3)	18,103
Miscellaneous (Note 7)	11,627
Accrued interest	<u>993</u>

Total current assets	<u>280,823</u>
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Restricted assets (Note 2):

Depreciation and contingency fund - checking	13,428
Depreciation and contingency fund - certificate of deposit	12,175
Meter deposit fund	<u>985</u>

Total restricted assets	<u>26,588</u>
-------------------------	---------------

Fixed assets (Note 4):

Property, plant and equipment	213,129
Less: accumulated depreciation	<u>(146,458)</u>

Fixed assets (net of accumulated depreciation)	<u>66,671</u>
---	---------------

Total assets	<u>\$ 374,082</u>
--------------	-------------------

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 14,198
Salaries payable	3,541
Sales taxes payable	753
Payroll taxes payable	<u>1,103</u>
Total current liabilities	<u>19,595</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>12,460</u>
Total liabilities	<u>32,055</u>
Equity:	
Retained earnings:	
Reserved for depreciation and contingency (Note 6)	14,128
Unreserved-undesignated	<u>327,899</u>
Total retained earnings	<u>342,027</u>
Total equity	<u>342,027</u>
Total liabilities and equity	<u>\$ 374,082</u>

## GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Statement of Revenues, Expenses and  
Changes in Retained Earnings

For the year ended December 31, 2002

Operating revenues:	
Gas sales	\$ 105,791
Delinquent surcharges	1,951
Installation and connection fees	<u>1,718</u>
Total operating revenues	<u>109,460</u>
Operating expenses:	
Current:	
Gas purchases	50,896
Operator's salary	21,966
Other salaries	19,631
Bank charges	443
Office expense	4,686
Rent	360
Insurance	2,797
Taxes	6,921
Repairs	19,162
Legal & accounting	---
Depreciation	<u>5,229</u>
Total operating expenses	<u>132,091</u>
Operating income (loss)	<u>(22,631)</u>
Nonoperating revenues (expenses):	
Interest income	6,604
Miscellaneous income	<u>4,043</u>
Total nonoperating revenues (expenses)	<u>10,647</u>
Net income (loss)	(11,984)
Retained earnings, beginning	<u>354,011</u>
Retained earnings, ending	<u>\$ 342,027</u>

The accompanying notes are an integral part of this statement.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH  
Statement of Revenues, Expenses and Changes in  
Retained Earnings - Budget (GAAP basis) and Actual

For the year ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues:			
Gas sales	\$ 106,000	\$ 105,791	\$ (209)
Delinquent surcharges	2,000	1,951	( 49)
Installation and connection fees	<u>1,800</u>	<u>1,718</u>	<u>( 82)</u>
Total operating revenues	<u>109,800</u>	<u>109,460</u>	<u>(340)</u>
Operating expenses:			
Current:			
Gas purchases	51,000	50,896	104
Operator's salary	22,000	21,966	34
Other salaries	20,000	19,631	369
Bank charges	500	443	57
Office expense	5,000	4,686	314
Rent	350	360	( 10)
Insurance	3,000	2,797	203
Taxes	6,500	6,921	( 421)
Repairs	18,000	19,162	(1,162)
Depreciation	<u>5,300</u>	<u>5,229</u>	<u>71</u>
Total operating expenses	\$ <u>131,650</u>	<u>132,091</u>	<u>( 441)</u>
Operating income (loss)	\$ <u>(21,850)</u>	<u>(22,631)</u>	<u>( 781)</u>
Nonoperating revenues (expenses):			
Interest income	6,000	6,604	604
Miscellaneous income	<u>5,000</u>	<u>4,043</u>	<u>( 957)</u>
Total nonoperating revenues (expenses)	<u>11,000</u>	<u>10,647</u>	<u>( 353)</u>
Net income (loss)	(10,850)	(11,984)	(1,134)
Retained earnings, beginning	<u>354,011</u>	<u>354,011</u>	<u>---</u>
Retained earnings, ending	<u>\$ 343,161</u>	<u>\$ 342,027</u>	<u>(1,134)</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 year ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (22,631)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,229
Changes in assets and liabilities:	
Accounts receivable	(8,453)
Accounts payable	7,637
Other current liabilities	1,467
Customer deposits	<u>700</u>
Net cash (used) by operating activities	<u>(16,051)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous income	<u>4,043</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of property, plant, and equipment	<u>---</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>7,366</u>
Decrease in cash	(4,642)
CASH, BEGINNING OF YEAR	<u>281,330</u>
CASH, END OF YEAR	<u>\$ 276,688</u>
CLASSIFIED AS	
Current Assets	\$ 250,000
Restricted Assets	<u>26,588</u>
Totals	<u>\$ 276,688</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, 2002

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, 2002, 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>\$250,100</u>	<u>\$ 26,588</u>	<u>\$276,688</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$276,688 and the bank balances were \$283,413. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$284,480
Uncollateralized (In accordance with GAAP)	---
	<u>\$284,480</u>

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

NOTE 3--ACCOUNTS RECEIVABLE

Receivables at December 31, 2002 consist of the following:

Accounts	\$ 21,408
Less: Allowance for doubtful accounts	<u>(3,305)</u>
Net total receivables	<u>\$ 18,103</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.

The following is a summary of changes in fixed assets for the year ended December 31, 2002:

	<u>Transmission System</u>	<u>Anodes and Equipment</u>	<u>Total</u>
December 31, 2001	\$ 161,149	\$ 51,980	\$ 213,129
Additions	---	---	---
Deletions	<u>---</u>	<u>---</u>	<u>---</u>
December 31, 2002	161,149	51,980	213,129
Less: Accumulated depreciation	<u>(118,255)</u>	<u>(28,203)</u>	<u>(146,458)</u>
Net	<u>\$ 42,894</u>	<u>\$ 23,777</u>	<u>\$ 66,671</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.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 5-RISK MANAGEMENT (CONTINUED)

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.

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

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 year ended December 31, 2002, nor did it have asserted claims lodged against it.

NOTE 6--RESERVED RETAINED EARNINGS

The reserved retained earnings balance of \$14,128 is reserved for depreciation and contingency purposes specifically designated by the District's Board and the payment of meter deposits liabilities less the meter deposit fund.

NOTE 7-MISCELLANEOUS RECEIVABLE AND THEFT LOSS

During the year ended December 31, 2001, the District incurred a theft loss of approximately \$9,116 by one of its former employees. In connection with that theft, the District also incurred related professional fees of \$2,511.

Subsequent to December 31, 2002, a judgement and related sentencing was issued by the 30<sup>th</sup> Judicial District Court which ordered full restitution to the District by the former employee in the total amount of \$11,627. This amount is to be paid to the District in monthly payments of \$300, including probation fees, over approximately the next four years. Therefore, the District recorded a miscellaneous receivable in the amount of \$11,627 during 2002.

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 2002

The Board of Commissioners of the Gas Utility District No. 1 of Vernon Parish served without compensation for the year ended December 31, 2002.

See independent auditor's report.

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

For the Year ended December 31, 2002

**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           Financial Statement Findings**

2002.1 Finding: In early 2001 the District incurred theft losses in the amount of \$9,116 by one of its employees. At that time, there was not proper segregation of duties in the revenue cycle.

**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 Year ended December 31, 2002

**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.