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West Baton Rouge Parish Public Utility
Port Allen, Louisiana
FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL
November 30, 1957 and 1958

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the clerk, or reviewed, certified and open to public inspection. 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 JUN 30 1970



CALVIN L. ROBBINS, JR.
CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

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May 15, 1998

West Baton Rouge Parish Council
Port Allen, Louisiana

I have audited the financial statements of the West Baton Rouge Parish Public Utility for the years ended November 30, 1997 and 1996 and have issued my report thereon dated May 15, 1998. As part of my audit, I made a study and evaluation of the Utility's system of internal accounting control over financial statement reporting to the extent I considered necessary solely to determine the nature, timing, and extent of my auditing procedures. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as whole, and I do not express such an opinion.

During my examination for the year ended November 30, 1998, I became aware of an opportunity for strengthening internal controls and operating efficiency. I discussed the following suggestion with the Utility's management:

Reconciliation of Accounts Receivable - Prior Year Finding

As noted in my management letter last year, the billing register should be reconciled to the general ledger on a monthly basis and that had not been done.

This was corrected during the year ended November 30, 1997.

Calvin L. Robbins, Jr.
Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Balance Sheets, November 30, 1997 and 1998	3
Statements of Changes in Contributed Capital for the years ended November 30, 1997 and 1998	4
Statements of Changes in Retained Earnings for the years ended November 30, 1997 and 1998	5
Statements of Revenues and Expenses for the years ended November 30, 1997 and 1998	6
Statements of Cash Flows for the years ended November 30, 1997 and 1998	8
Notes to Financial Statements	11
Supplementary Information:	
Operating Statistics (Unaudited)	20
Schedule of Changes in Utility Plant and Equipment	21
Insurance Coverage (Unaudited)	22
Report on Compliance and on Internal Control over Financial Reporting based on an audit of Financial Statements performed in accordance with <u>Government Auditing Standards</u>	23



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

West Baton Rouge Parish Council
Port Allen, Louisiana

I have audited the financial statements of the West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council, for the years ended November 30, 1997 and 1998, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Public Utility. My responsibility is to express an opinion on these 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 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the West Baton Rouge Parish Public Utility and are not intended to present fairly the financial position of West Baton Rouge Parish and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Baton Rouge Parish Public Utility, at November 30, 1997 and 1998, and the results of its operations, for the years then ended and cash flows for the years ended November 30, 1997 and 1998 in conformity with generally accepted accounting principles.

In the course of my audit, nothing came to my attention that caused me to believe there has been any material lack of compliance with the accounting or reporting requirements of the bond ordinance under which outstanding revenue bonds have been issued.

West Baton Rouge Parish Council

In accordance with Government Auditing Standards, I have issued a report dated May 15, 1998 on my consideration of the West Baton Rouge Parish Public Utility's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the West Baton Rouge Parish Public Utility. Such information, except for the Schedule of Insurance Coverage and Operating Statistics marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.


Certified Public Accountant
(A Professional Corporation)

May 15, 1998
Baton Rouge, Louisiana

BALANCE SHEET

West Baton Rouge Parish Public Utility
 Port Allen, Louisiana

BALANCE SHEET

November 30, 1997 and 1996

A S S E T S

	1997	1996
<u>Current Assets</u>		
<u>Cash:</u>		
Payroll account	\$ 13,696	\$ 14,345
Revenue account	40,780	156,569
Other accounts	356,955	348,848
On hand	<u>895</u>	<u>832</u>
Total Cash	412,266	420,594
Investments (See Note 4)	843,845	536,658
Accounts receivable (See Note 5)	427,878	314,233
Prepaid expenses	<u>31,073</u>	<u>36,292</u>
Total Current Assets	1,714,062	1,310,240
<u>Restricted Assets - (See Note 3)</u>		
Bond Sinking Fund	47,314	45,960
Bond Reserve Fund	98,110	83,646
Contingencies Fund	54,353	64,811
Customers' deposits	<u>182,569</u>	<u>182,292</u>
Total Restricted Assets	382,346	376,712
<u>Utility Plant and Equipment</u>		
At cost, less of accumulated depreciation (See Note 5)	5,260,382	5,051,241
<u>Other Assets</u>		
Bond Insurance expense	4,943	5,292
Due from Water District No. 4 (See Note 6)	<u>34,813</u>	<u>34,813</u>
Total Other Assets	39,756	40,105
 Total Assets	 \$ <u>2,043,326</u>	 \$ <u>1,883,340</u>

LIABILITIES AND FUND EQUITY

	1997	1996
<u>Current Liabilities - (Payable from Current Assets)</u>		
Accounts payable	\$ 175,801	\$ 122,316
Contracts payable	114,292	9,704
Accrued and withheld taxes and expenses	52,889	99,142
Miscellaneous payables	44,614	18,344
Payable to other systems and the Parish Council	38,200	19,004
Payable to State of Louisiana	<u>133,258</u>	<u>113,462</u>
Total Liabilities (Payable from Current Assets)	- 282,052	- 272,228
<u>Current Liabilities - (Payable from Restricted Assets) (See Note 13)</u>	- 242,512	- 274,224
<u>Long-Term Liabilities</u>		
Reverse Bonds - net of current maturities (See Note 8)	315,800	484,910
Accumulated unpaid vacation (See Note 13)	<u>61,832</u>	<u>47,818</u>
Total Long-Term Liabilities	<u>377,632</u>	<u>532,728</u>
Total Liabilities	1,241,208	1,202,202
<u>Fund Equity</u>		
Contributed capital	1,938,919	1,762,408
Retained earnings	<u>4,284,223</u>	<u>3,721,428</u>
Total Fund Equity	6,223,142	5,483,836
Total Liabilities and Fund Equity	\$ <u>7,464,350</u>	\$ <u>6,686,038</u>

See accompanying notes to financial statements.

West Bates Rouge Parish Public Utility
 Port Allen, Louisiana

STATEMENTS OF CHANGES IN
CONTRIBUTED CAPITAL

For the years ended November 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Beginning Balance, December 1	\$ 1,762,408	\$ 1,849,358
Contributions during the year	<u> 78,811</u>	<u> 116,308</u>
Balance, November 30	\$ <u>1,841,219</u>	\$ <u>1,965,666</u>

The sources of contributions
 at November 30, 1997 and 1996
 are as follows:

Federal Government-through the Parish Council	\$ 1,349,479	\$ 1,349,479
Developers	116,308	116,308
State Government-through the Parish Council	34,511	-0-
Parish Council	<u>340,921</u>	<u>499,728</u>
Balance, November 30	\$ <u>1,841,219</u>	\$ <u>1,965,666</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility
 Fort Allen, Louisiana

STATEMENTS OF CHANGES IN
 RETAINED EARNINGS

For the years ended November 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Beginning balance, December 1	\$ 4,721,424	\$ 4,667,301
Net income for the year	<u>243,872</u>	<u>164,081</u>
Balance, November 30	\$ <u>4,965,296</u>	\$ <u>4,831,382</u>

Retained earnings at November 30, 1997 and 1996 consists of the following:

Reserved - for bond retirement	\$ 101,127	\$ 99,013
Unreserved	<u>4,864,169</u>	<u>4,732,369</u>
Balance, November 30	\$ <u>4,965,296</u>	\$ <u>4,831,382</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended November 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
<u>Operating Revenues</u>		
Gas sales	\$ 1,988,488	\$ 2,772,828
Water sales	593,397	678,477
Penalties	17,354	28,887
Extension and connection charges	38,843	51,688
Service agreements (See Note 8)	136,188	114,786
Other income (See Note 11)	128,834	127,938
Bad debt recovery	<u>182</u>	<u>216</u>
Total Operating Revenues	<u>2,992,186</u>	<u>2,892,228</u>
<u>Operating Expenses</u>		
Gas purchases	1,115,877	848,840
Water purchases	104	2,168
Salaries and wages	728,888	697,137
Depreciation	237,627	232,868
Minor and system repairs and supplies	118,147	150,613
Bad debts	3,352	8,488
Billing expense	4,601	3,819
Methodic protection	8,188	9,541
Collection expenses	1,300	1,300
Equipment rental and repair	18,973	10,882
Equipment service contracts	23,218	22,307
Gas tap maintenance charge	5,400	5,400
Insurance - employee benefits	72,823	82,375
Insurance and surety bonds	78,274	73,471
Miscellaneous	18,182	24,018
Office supplies and postage	13,236	16,888
Payroll taxes	8,847	5,957
Professional services	21,388	18,377
Telephone	3,828	8,302
Truck and travel	14,984	37,812
Utilities	80,928	82,013
Retirement	53,818	47,818
Unemployment taxes and workmen's compensation	<u>44,214</u>	<u>44,823</u>
Total operating Expenses	<u>2,692,862</u>	<u>2,812,281</u>
Operating Income	<u>302,863</u>	<u>156,957</u>

(CONTINUED)

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Fort Allen, Louisiana

STATEMENTS OF REVENUES AND EXPENSES - (Cont'd)

For the years ended November 30, 1997 and 1996

	1997	1996
Operating Income from the preceding page	\$ <u>242,002</u>	\$ <u>150,357</u>
<u>Nonoperating Revenues</u>		
Interest on investments and savings	57,100	62,410
(Loss) Gain on investment	<u>(262)</u>	<u>720</u>
Total Nonoperating Revenues	<u>56,838</u>	<u>63,130</u>
<u>Nonoperating Expenses</u>		
Interest on bonds	32,317	38,000
Amortization of debt insurance expenses	1,340	1,340
Trustee fees	<u>1,833</u>	<u>1,826</u>
Total Nonoperating Expenses	<u>35,490</u>	<u>41,166</u>
Net Income	\$ <u>243,472</u>	\$ <u>169,093</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended November 30, 1997 and 1996

Increase (Decrease) in Cash and Cash Equivalents

	<u>1997</u>	<u>1996</u>
<u>Cash Flows from Operating Activities:</u>		
Operating income	\$ 122,882	\$ 132,281
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	237,627	233,446
Bad debts resulting from an increase in allowance for doubtful accounts	-0-	823
Book value of assets abandoned	361	-0-
(Increase) Decrease in assets:		
Accounts receivable	(112,387)	127,817
Prepaid expenses	5,209	(8,860)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	7,306	102,302
Contracts payable	128,888	5,708
Miscellaneous payables	24,278	21,388
Payable to other systems	2,128	1,568
Accumulated unpaid vacation	4,814	2,507
Customer deposits	<u>7,733</u>	<u>4,813</u>
Total adjustments	<u>287,248</u>	<u>322,642</u>
Net cash provided by operating activities	509,331	480,694

(CONTINUED)

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended November 30, 1997 and 1996

Increase (Decrease) in Cash and Cash Equivalents

	1997	1996
Net cash provided by operating activities - from the preceding page	\$ _ 582,232	\$ _ 492,608
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(273,496)	(209,069)
Principal paid on revenue bond maturities	(85,000)	(80,000)
Interest expense	(24,388)	(29,500)
Trustee fees	(2,897)	(1,486)
Loan & grant proceeds	<u>138,282</u>	<u>100</u>
Net cash used by capital and financing activities	<u>(247,299)</u>	<u>(219,655)</u>
Net cash before cash flows before investing activities	(46,467)	148,999

(CONTINUED)

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility
Fort Allen, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended November 30, 1997 and 1996

Increase (Decrease) in Cash and Cash Equivalents

	<u>1997</u>	<u>1996</u>
Net cash before cash flows before investing activities - from the preceding page	\$ <u>146,610</u>	\$ <u>143,292</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and dividends on investments	87,168	55,759
Purchase of investment securities	(53,498)	(68,343)
Sale of investment securities	<u>45,432</u>	<u>55,884</u>
Net cash provided by investing activities	<u>79,102</u>	<u>43,300</u>
Net decrease in cash and cash equivalents	3,454	197,120
Cash and cash equivalents at the beginning of the year	<u>192,617</u>	<u>420,317</u>
Cash and cash equivalents at the end of the year	\$ <u>189,163</u>	\$ <u>617,437</u>

Cash Flow Disclosures

Noncash Investing, Capital, and Financing Activities

During 1997 there were no noncash investing, capital or financing activities. During 1996 two complete sewer systems were contributed to the West Baton Rouge Parish Council by real estate developers. The Parish Council then contributed those systems to the West Baton Parish Public Utility. The fair market value of the systems contributed was \$116,309.

	<u>1997</u>	<u>1996</u>
Interest Paid		
Interest charged to expense	\$ <u>24,328</u>	\$ <u>23,300</u>
Interest capitalized	\$ <u>-0-</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS

November 30, 1997 and 1998

INTRODUCTION

West Baton Rouge Parish Public Utility operates a water system, natural gas system and sewer system serving residences and businesses in parts of West Baton Rouge Parish. The Public Utility extends credit to its customers. Customers are required to make a cash deposit or provide other forms of collateral before service begins.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the West Baton Rouge Parish Public Utility have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standards Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Utility applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in

(CONTINUED)

West Baton Rouge Parish Public Utility

Fort Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

conformance with GASB Statement No. 14, the West Baton Rouge Parish Public Utility includes all funds, account groups, et cetera, that are within the oversight responsibility of the Public Utility. Based on the criteria set forth in GASB Statement No. 14, the Public Utility is a component unit of the West Baton Rouge Parish Council. The basic criteria is the Council's ability to exercise oversight responsibility.

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth the West Baton Rouge Parish Public Utility has no component units.

Proprietary Fund

The West Baton Rouge Parish Public Utility is operated as an proprietary fund of the West Baton Rouge Parish Council, and as such employs the accrual method of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Revenues from utility services provided but not yet billed to customers are recognized in the period in which the services were provided.

Proprietary funds are 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 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; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Cash and Investments

Cash deposited with financial institutions is carried at cost which approximates market.

Investments are stated at cost or amortized cost. Purchase discounts and premiums are amortized over the life of the investment remaining from the date of purchase to the date of maturity.

Utility Plant and Equipment

Utility plant and equipment are recorded at original cost, including interest capitalized during the construction period. Donated fixed assets are recorded at fair market value when donated. Depreciation is recorded on all assets using the straight-line method over the estimated useful lives of the assets. The service lives by type of asset are as follows:

Gas system	20-25 years
Water system	30-40 years
Sewer System	50 years
Utility equipment	5-10 years
Office equipment	5-10 years
Vehicles	4-5 years
Buildings	20 years

Deferred Expenses

The cost of issuing Utility Revenue Bonds is being amortized over the term of the bond issue using the straight-line method. Cost of issuing the 1993 bonds was \$13,482. Accumulated amortization was \$8,537 as of November 30, 1997 and \$7,190 as of November 30, 1996.

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Capitalization of Interest

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the year ended November 30, 1997 or 1996.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, West Baton Rouge Parish Public Utility considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Public Utility does not consider its investment in FNMN and FNMN securities or any funds held by its brokers as cash equivalents (See Note 4.)

NOTE 2. CASH AND INVESTMENTS

Cash is shown on the balance sheet under various captions including restricted assets. The carrying value of cash on deposit with financial institutions on November 30, 1997 was \$880,016, all bank deposits were in interest bearing accounts.

The bank balances of these deposits totaled \$790,158 on November 30, 1997. At November 30, 1997 the Utility's bank balances were secured by \$100,000 of FDIC insurance, and \$684,000 of collateral held by the pledging financial institution's agent in the name of the pledging financial institution and pledged to the Utility (GAAP Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GAAP Statement No. 3, Louisiana Revised Statute 39:1228 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.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTE TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1987 and 1988

NOTE 2. CASH AND INVESTMENTS - (Cont'd)

Under state law, the West Baton Rouge Parish Public Utility may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana. Funds may also be invested in direct United States Treasury obligations and obligations guaranteed by Federal agencies provided such obligations are backed by the full faith and credit of the United States of America. Investment is also permitted in obligations issued or guaranteed by U.S. government instrumentalities, which are Federally sponsored. Statutes also allow the Utility to invest in any investment as stipulated in R.S. 33:2855.

The Utility may invest such monies it has in any general fund or special funds which the management of the Utility and Parish Council, in their discretion, may determine to be available for investment and which are not specifically accepted or prohibited from investment under existing state or Federal statutes.

NOTE 3. RESTRICTED ASSETS

The restricted assets are accounts required to be maintained under the terms of the bond indenture of the outstanding Utilities Revenue Bonds dated August 1, 1983. These bonds were issued during 1983 when Utility Revenue Bonds dated December 1, 1964 were defeased.

The "Sinking Fund" is to be used to pay the principal of and interest on the Bonds as they become due and payable. The Utility is required to deposit into this account, on a monthly basis, 1/8th of the interest due on the Bonds on the next interest payment date and 1/12th of the principal due on the Bonds on the next principal date.

The "Reserve Fund" is to be used solely for the purpose of paying the principal of and interest on the Bonds payable from the aforementioned Sinking Fund which would otherwise be in default. The Reserve Fund was established by depositing \$42,000 of the proceeds of the

(CONTINUED)

West Baton Rouge Parish Public Utility
 Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1987 and 1986

NOTE 3. RESTRICTED ASSETS - (Cont'd)

Bonds into this account immediately upon delivery of the Bonds. Monthly deposits of \$1,000 transferred from the Revenue Fund must be made until the Reserve Fund equals \$84,000.

The "Contingencies Fund" is to be used for extensions, additions, improvements, renewals and replacements necessary to properly operate the system. Monthly transfers must be made from the Revenue Fund to the Contingencies Fund in an amount equal to five percent (5%) of the gross revenues of the system for the preceding month, provided that such amount remains after the payment of all reasonable and necessary expenses of operating and maintaining the system and after the aforementioned Sinking Fund and Reserve Fund have been funded. Monthly transfers are to continue until the Contingencies Fund has a balance of \$50,000 and needs to be reviewed if the fund is reduced below \$50,000.

NOTE 4. INVESTMENTS

At November 30, the Public Utility had investments as follows:

	Carrying Amount	Market Value
1987:		
FDIC and FDIC Insured		
U.S. Treasury Notes		
3.875% to 7.875%, due		
4/15/88 to 7/15/88	\$ 531,013	\$ 522,407
Money Market Fund and		
Money Funds	<u>12,621</u>	<u>12,620</u>
Total	\$ <u>543,634</u>	\$ <u>535,027</u>

The decline in market is considered a temporary decline due to interest rate fluctuations. The securities are expected to be held until maturity, therefore the securities are carried at amortized cost.

(continued)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 4. INVESTMENTS - (Cont'd)

<u>1997:</u>	<u>Carrying</u>	<u>Market</u>
	<u>Amount</u>	<u>Value</u>
FYSA and FMAC Pools,		
US Treasury Notes and		
Bonds 8.35% to 7.875%,		
Due 5/15/97 to 8/15/01	\$ 806,748	\$ 806,767
Palme Nabber Cash and		
Money Funds	<u>18,101</u>	<u>18,101</u>
Total	\$ <u>824,849</u>	\$ <u>824,868</u>

The investments are held by the Public Utility's broker in its street name. Because the securities are not in the name of the Public Utility, and are not held by the District or its agents, the securities are considered uninsured and unregistered, MMMA Category 3.

NOTE 5. UTILITY PLANT AND EQUIPMENT

Utility Plant and Equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated</u>	<u>Book</u>
		<u>Depreciation</u>	<u>Value</u>
As of November 30, 1997:			
Gas distribution system	\$2,488,918	\$1,487,256	\$ 1,001,662
Water distribution system	5,272,562	1,577,455	3,695,107
sewer system	832,070	87,908	744,162
Utility and sewer equipment	152,610	250,603	102,007
Office equipment	128,848	128,116	90,732
Vehicles	338,183	179,592	158,591
Buildings	187,183	75,262	111,921
Land	41,878	-0-	41,878
Construction in progress	<u>428,433</u>	<u>-0-</u>	<u>428,433</u>
Totals	\$2,888,755	\$2,648,190	\$2,240,365

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 3. UTILITY PLANT AND EQUIPMENT - (Cont'd)

	Cost	Accumulated Depreciation	Book Value
As of November 30, 1996:			
Gas distribution system	\$2,397,426	\$1,381,386	\$1,016,040
Water distribution system	5,331,427	1,449,687	3,881,740
Sewer system	432,870	35,068	397,802
Utility and sewer equipment	322,454	282,091	40,363
Office equipment	123,107	93,200	29,907
Vehicles	398,102	155,384	242,718
Buildings	107,129	70,919	36,210
Land	41,978	-	41,978
Construction in progress	-	-	-
	\$8,222,052	\$3,417,817	\$4,804,235

Cost includes sewer systems donated to the Parish valued at fair market value on the date donated. Donated assets valued at fair market value totaled \$116,200 at November 30, 1997 and 1996.

NOTE 4. REVENUE BOND PAYABLE

The following is a summary of utility revenue bond transactions of the Public Utility for the years ended November 30, 1997 and 1996:

	1997	1996
Bonds payable, December 1	\$ 490,000	\$ 578,000
Bonds retired	(182,000)	(182,000)
Bonds payable, November 30	\$ 308,000	\$ 396,000

(CONTINUED)

West Baton Rouge Parish Public Utility
 Fort Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 6. REVENUE BONDS PAYABLE - (Cont'd)

Revenue bonds payable at November 30, 1997 and 1996 consisted of the following:

	<u>1997</u>	<u>1996</u>
\$840,000 Utilities Revenue Bonds Series 1993, dated August 1, 1993; due in annual installments of \$88,000 to \$110,000 through August 1, 2001; 3% interest; principal and interest to be paid from the income and revenue derived from the operation of the Public Utility.	\$ 485,000	\$ 400,000
Less Current Portion	<u>20,000</u>	<u>85,000</u>
Long Term Portion	\$ <u>465,000</u>	\$ <u>315,000</u>

The annual requirements to amortize the revenue bonds payable as of November 30, 1997 are as follows:

<u>Year Ending</u> <u>November 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 90,000	\$ 28,350	\$ 118,350
1999	100,000	32,850	132,850
2000	108,000	38,050	146,050
2001	<u>110,000</u>	<u>7,350</u>	<u>117,350</u>
Total	\$ <u>408,000</u>	\$ <u>106,600</u>	\$ <u>514,600</u>

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 7. PENSION PLAN

Substantially all employees of the West Baton Rouge Parish Public Utility are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The system is composed of two distinct plans, Plan A and Plan B, with separate assets, and separate benefit provisions. All employees of the Public Utility are members of Plan A.

All permanent employees working at least 28 hours per week and who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 55 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1990, the benefit is equal to one percent of final-average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1990, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and who do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

(CONTINUED)

West Baton Rouge Parish Public Utility
Fort Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1987 and 1988

NOTE 7. PENSION PLAN - (Cont'd)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Periodical Employees' Retirement System, Post Office Box 14613, Baton Rouge, Louisiana 70898-4639, or by calling (584) 938-1361.

Funding Policy. Under plan A, members are required by state statute to contribute 9.8 percent of their annual covered salary and the West Baton Rouge Parish Public Utility is required to contribute at an actuarially determined rate. The current rate is 7.73 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the West Baton Rouge Parish Public Utility are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The West Baton Rouge Parish Public Utility contributions to the System under Plan A for the years ending November 30, 1987, 1988, and 1989, were \$83,814, \$43,819, and \$50,144, respectively, equal to the required contributions for each year.

NOTE 8. WATER SYSTEM AGREEMENT

The West Baton Rouge Parish Public Utility leases several water systems to Water Works District No. 4 (another component unit of the West Baton Rouge Parish Council) under a Local services agreement entered into in February, 1983. The lease expired in 1986, but continues on a month to month basis.

(CONTINUED)

West Baton Rouge Parish Public Utility
Fort Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 8. WATER SYSTEM AGREEMENT - (Cont'd)

Rental income from the leased water systems was \$1,383 for the year ended November 30, 1997 and \$1,331 for the year ended November 30, 1996.

A separate operating agreement entered into with Water Works District No. 4, requires the Public Utility to operate the systems it leases to Water Works District No. 4. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The operating agreement's term coincides with that of the local services agreement described above. Fees under the operating agreement are based on the Water System's proportionate share of the Public Utility's office, administrative, operating and maintenance expenses. The Public Utility billed Water Works District No. 4 \$79,410 under the operating agreement for the year ended November 30, 1997 and \$71,303 for the year ended November 30, 1996. In addition, the Public Utility billed Water Works District No. 4 \$39,539 and \$48,132 during the years ended November 30, 1997 and 1996 for additional maintenance and repair services provided that were not covered by the original operating agreement. Water Works District No. 4 owed the Public Utility \$16,882 and \$16,217 as of November 30, 1997 and 1996, respectively for these services. The receivables are included in Accounts Receivable on the Balance Sheet.

In addition to the regular services provided for under the Water Service Agreement, the Public Utility assisted Water Works District No. 4 in relocating some of its water lines during the year ended November 30, 1996. The relocation was required by the Louisiana Department of Transportation (See Note 14). Total cost of relocating the Water District's lines was \$49,430. The balance owed to the Public Utility as of November 30, 1997 and 1996 was \$14,819, and is shown in the Other Asset section of the Balance Sheet.

**West Baton Rouge Parish Public Utility
Port Allen, Louisiana**

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 9. WEST BATON ROUGE PARISH COUNCIL

Contributed Capital - During the year ended November 30, 1997, the Parish Council obtained a grant from the Governor's Office of Rural Development to be used for the renovation and painting of one of the Public Utility's water tower. The grant was for \$120,108 and \$78,413 had been received by the Parish Council and expended on the project.

During the year ended November 30, 1996, two complete sewer systems were contributed to the West Baton Rouge Parish Council by real estate developers in the Parish. The Parish Council then contributed those systems to the West Baton Rouge Parish Public Utility. The fair market value of the systems contributed was \$116,200.

Garbage Billing Fees - The West Baton Rouge Public Utility bills and collects Garbage Fees for the West Baton Rouge Parish Council. The Utility is paid \$.38 per customer billing for providing this service. The Utility earned \$3,788 for the year ended November 30, 1997 and \$3,626 for the year ended November 30, 1996 for providing this service. The Utility owed the Council, \$8,809 for garbage fees collected and other amounts collected but not remitted to the Council at November 30, 1997. The amount owed to the Council at November 30, 1996 was \$8,887.

NOTE 10. ACCOUNTS RECEIVABLE

Accounts receivable at November 30, 1997 and 1996 was made up of the following:

	<u>1997</u>	<u>1996</u>
Customer accounts:		
Billed	\$ 280,253	\$ 216,379
Unbilled	124,126	78,969
Receivable from other water systems	<u>87,018</u>	<u>24,655</u>
Total	491,397	320,003
Less allowance for doubtful account	<u>(13,820)</u>	<u>(13,800)</u>
Net	\$ <u>477,577</u>	\$ <u>306,203</u>

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 11. OTHER INCOME

Other income as of November 30, 1997 and 1996 was composed of the following:

	1997	1996
Service charges	\$ 4,926	\$ 5,042
Sewer fees	130,259	113,143
Charges to other systems	2,736	1,893
Garbage billing fees	1,786	3,628
Miscellaneous income	<u>7,221</u>	<u>4,226</u>
Total	\$ <u>146,928</u>	\$ <u>127,932</u>

NOTE 12. ACCUMULATED UNPAID VACATION

The Utility has the following policy relating to vacation:

- One week of vacation after six months of service.
- Two weeks of vacation after one to five years of service.
- Three weeks of vacation after five to fifteen years of service.
- Four weeks of vacation after fifteen to twenty years of service.
- Five weeks of vacation after twenty or more years of service.

Each employee accrues annual leave on January 1 of each year for that year. Employees can accumulate up to 308 hours of unused vacation.

As of November 30, 1997 and 1996, employees of the Utility had accumulated and vested \$51,932 and \$47,436, respectively, of vacation benefits.

The Utility's sick leave policy does not provide for the vesting of sick leave; therefore, there is no provision for accumulated sick leave on these statements.

West Baton Rouge Parish Public Utility

Fort Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1998

NOTE 13. CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The following current liabilities were payable from restricted assets as of November 30, 1997 and 1998:

	<u>1997</u>	<u>1998</u>
Revenue bonds payable (See Note 4)	\$ 90,000	\$ 90,000
Accrued interest	9,468	11,433
Customers' deposits	<u>180,058</u>	<u>180,280</u>
Total	\$ <u>280,526</u>	\$ <u>281,713</u>

NOTE 14. PAYABLE TO STATE OF LOUISIANA

During the year ended November 30, 1997, the Public Utility was required to relocate some of its gas lines by the Louisiana Department of Transportation. The gas lines were located on Highway Department right-of-ways for roads that were being widened. The Department of Transportation has agreed to loan the Public Utility \$283,791 to finance the relocation. As November 30, 1997, \$23,791 had been advanced to the Public Utility to assist in paying costs incurred to that date on the relocation project.

During the year ended November 30, 1998, the Public Utility was required by the Louisiana Department of Transportation to relocate some gas and water lines located on highway right-of-ways, to allow for widening of those highways. The Public Utility received \$157,500 from the Louisiana Department of Transportation (DOTD) during the year ended November 30, 1998. Of this amount, \$113,467 was a loan from DOTD and is shown as a current liability on the Balance Sheet and \$24,433 was a grant from DOTD. The Public Utility had not repaid the loan as of November 30, 1997.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1998

NOTE 18. POST-EMPLOYMENT HEALTH CARE BENEFITS

Retiree Benefits

In addition to the pension benefits described in Note 7, the Parish Council adopted an ordinance that provides post-retirement health care benefits to all employees who retire from the Utility at or after age 60 with at least 15 years of service, at or after the age 55 with 25 years of service, or at any age with 30 years of service. Currently, two retirees meet those eligibility requirements. The Utility pays for 88 percent of the medical insurance costs for retirees. The cost of retiree health care benefits is recognized as an expenditure as paid. For the years ended November 30, 1997 and 1998, those costs totaled \$8,883 and \$8,907, respectively.

COBRA Benefits

Under the Consolidated Budget Reconciliation Act (COBRA), the Public Utility provides health insurance benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The premiums are to be paid in full by the insured. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the Public Utility under this program. There were no participants in the program as of November 30, 1997 and 1998.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - Cont'd

November 30, 1997 and 1996

NOTE 16. RELATED PARTY TRANSACTIONS

In addition to the transactions discussed in Notes 6 and 9 to these financial statements the West Baton Rouge Parish Public Utility had dealings with another component unit of the West Baton Rouge Parish Council.

The Utility and another water system in the Parish share the cost of operating a water well. The Utility billed the other system \$15,888 and \$7,794 for costs paid by the Utility during the years ended November 30, 1997 and 1996 respectively. The other system owed the Utility \$8,450 at November 30, 1997 and \$7,783 at November 30, 1996.

The other system billed the Utility for \$7,614 and \$6,342 for costs it paid during the years ended November 30, 1997 and 1996 respectively. The Utility owed the other system \$7,614 at November 30, 1997 and \$6,342 at November 30, 1996.

NOTE 17. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS

Water sales to Placid Refining Company accounted for 40.24% of water sales for the year ended November 30, 1997 and 41.24% for the year ended November 30, 1996. The receivable from Placid was approximately 4.04% of total accounts receivable at November 30, 1997 and 7.19% of total accounts receivable at November 30, 1996.

Gas sales to a customer in the highway construction business accounted for 11.17% of gas sales for the year ended November 30, 1997 and 11.82% for the year ended November 30, 1996. The receivable from this customer was approximately 10.80% of total accounts receivable at November 30, 1997 and 16.45% of the accounts receivable balance at November 30, 1996.

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1997 and 1996

NOTE 17. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS - (Cont'd)

Gas sales to a customer in the shigyard business accounted for 8.97% of gas sales for the year ended November 30, 1997. The amount receivable from this customer was approximately 8.38% for the year ended November 30, 1997.

There is also a concentration of credit risk with respect to accounts receivable associated with the limited geographic area served by the West Baton Rouge Parish Public Utility.

SUPPLEMENTARY INFORMATION

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS UNAUDITED

November 30, 1997 and 1996

On November 30, 1997, the natural gas system was serving 3,263 customers as compared to 3,187 on November 30, 1996. The number of customers billed during the current period and other customer data are presented below:

Gas Sales	\$ 1,000,000
MCF's of gas sold	300,001
Total number of customers' billings	30,806
Average number of customers billed per month	3,237
Average monthly revenue per customer	\$ 49.88
Average revenue per MCF billed	\$ 5.42

West Baton Rouge Parish Public Utility

Fort Allen, Louisiana

OPERATING STATISTICS (UNAUDITED) - (Cont'd)

November 30, 1997 and 1998

An analysis of gas sales and purchases for the year ended November 30, 1997 is as follows:

	<u>Amount</u>	<u>MCF</u>
Gas sales	\$ 1,968,898	366,926
Gas loss accounted for		3,328
Less gas purchases	<u>1,115,617</u>	<u>187,188</u>
Gross Profit on Gas Sales	\$ <u>853,281</u>	
MCF gain unaccounted for on sales		<u>11,920</u>
Percent of Gain	<u>3.1%</u>	

The water division of the West Baton Rouge Parish Public Utility was serving 1,985 customers at November 30, 1997.

Operations of the Water Division for the current year are reflected in the following statistical data:

	<u>Resid</u>	<u>Chemical</u> <u>Plant</u>	<u>Others</u>
Water sales	\$ 288,703	\$ 15,703	\$ 148,921
M gallons sold	561,364	27,466	318,153
Total number of customers' billings	12	12	12,328
Average number of customers billed per month	1	1	1,027
Average monthly revenue per customer	\$ 19,892	\$ 1,182	\$ 27.67
Average revenue per M gallons	\$.43	\$.80	\$ 1.97

West Baton Rouge Parish Public Utility
 Fort Allen, Louisiana

SCHEDULE OF CHANGES IN UTILITY PLANT AND EQUIPMENT

For the year ended November 30, 1997 and 1998

	Cost November 30, 1996	Additions	Deletions	Cost November 30, 1997
Gas distribution system	\$2,387,828	61,391	+0-	2,450,919
Water distribution system	5,231,427	41,155	+0-	5,272,582
Sewer System	822,070	-0-	+0-	822,070
Utility and sewer equipment	322,454	38,366	7,210	363,610
Office equipment	122,107	3,761	-0-	125,868
Vehicles	238,102	+0-	+0-	238,102
Buildings	107,193	+0-	+0-	107,193
Land	41,978	-0-	+0-	41,978
Construction in progress	<u>-0-</u>	<u>428,433</u>	<u>-0-</u>	<u>428,433</u>
Totals	\$8,282,812	\$492,146	\$7,210	\$8,982,748

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

INSURANCE COVERAGE (UNAUDITED)

November 30, 1987

Insurance and fidelity bond coverage on November 30, 1987 were as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
February 1, 1988	Commercial Union Insurance (Automobile Insurance) Property Damage	Bodily injury liability-\$500,000; Comprehensive, \$250 deductible; Uninsured motorists \$100,000; Collision \$250 deductible.
January 1, 1988	Parish Government Risk Management Agency (Workmen's Compensation)	Statutory rates, \$100,000 maximum.
March 29, 1988	Ranger Insurance Co. (General Liability)	General aggregate limit, \$2,500,000; Products-completed operation aggregate, \$2,000,000; each occurrence \$1,000,000; Personal and advertising injury limit \$1,500,000; Fire damage, \$50,000 any one fire; Medical expenses, \$5,000 any one person.
February 17, 1988	Western Surety Co.	Public Official's Bond (Ronald E. Treuil) \$100,000.
March 28, 1988	Western Surety Co.	Fidelity surety bond on the following: Office manager, three secretaries, meter readers; \$5,000 each.
October 4, 1988	Commercial Union Insurance Company	Water tower coverage, coverage varies by tower, \$10,000 deductible, 88% coinsurance.



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
IN PROFESSIONAL CORPORATION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Parish President, and the
Chairman and Members of the West
Baton Rouge Parish Council
Baton Rouge Parish Council
Bart Allen, Louisiana

I have audited the financial statements of West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council, as of and for the year ended November 30, 1997, and have issued my report thereon dated May 13, 1998. I have 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 West Baton Rouge Parish Public Utility's financial statements are free of material misstatement, I performed tests of the 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 these 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 FINANCIAL REPORTING

In planning and performing my audit, I considered West Baton Rouge Parish Public Utility's, a component unit of the West Baton Rouge Parish Council, 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. However, I noted certain matters involving the internal control over financial reporting and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial

reporting that, in my judgement, could adversely affect the West Baton Rouge Parish Public Utility's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the following paragraph:

An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness. This is a repeat finding.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. My 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, I believe that the reportable condition disclosed above relating to lack of segregation of duties is a material weakness.

This report is intended for the information of management and members of the West Baton Rouge Parish Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountant
IA (Professional Corporation)

May 15, 1998
Baton Rouge, Louisiana