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GAS UTILITY DISTRICT NUMBER 1
of EAST BATON ROUGE PARISH
FINANCIAL STATEMENTS

December 31, 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 7-21-99

GERALD A. WALKER
Certified Public Accountant

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GERALD A. WALKER

Certified Public Accountant

Member
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

I have audited the accompanying general purpose financial statements of Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, a component unit of the East Baton Rouge Parish Government, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Gas Utility District No. 1's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

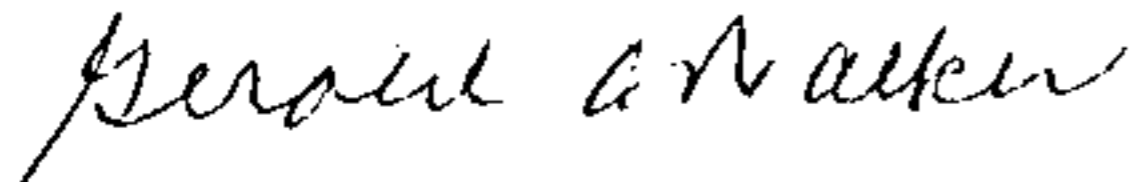
I conducted my audit in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants, *Government Auditing Standards*, promulgated by the United States Comptroller General, and the Louisiana Governmental Auditing Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. 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 Gas Utility District No. 1 of East Baton Rouge Parish as of December 31, 1998 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 16, 1999, on my consideration of Gas Utility District No. 1 of East Baton Rouge Parish's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

INDEPENDENT AUDITOR'S REPORT
PAGE 2

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information on page 13 through page 16 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Gas Utility District No. 1 of East Baton Rouge Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, to the general purpose financial statements taken as a whole.



Gerald A. Walker, CPA
June 16, 1999

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 ENTERPRISE FUND
 BALANCE SHEET
 DECEMBER 31, 1998

ASSETS

CURRENT ASSETS

Cash	\$ 345,070
Accounts receivable	40,602
Less Allowance for uncollectible	(1,450)
Unbilled accounts receivable	126,502
Inventory	2,981
Prepaid insurance and other receivables	<u>3,870</u>
TOTAL CURRENT ASSETS	<u>517,575</u>

RESTRICTED ASSETS

Cash - Bond redemption fund	6,655
Cash - Customer meter deposit	<u>65,404</u>
TOTAL RESTRICTED ASSETS	<u>72,059</u>

PROPERTY, PLANT, AND EQUIPMENT

Land	22,900
Buildings	357,178
Machinery and equipment	198,489
Furniture and fixtures	38,069
Computer software	-0-
Vehicles	85,792
Gas system	1,615,176
Contributed assets	<u>6,000</u>
	2,323,604
Less accumulated depreciation	<u>(1,572,986)</u>
NET PROPERTY, PLANT, AND EQUIPMENT	<u>750,618</u>

OTHER ASSETS

Deposits	<u>35</u>
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TOTAL ASSETS **\$ 1,340,287**

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 ENTERPRISE FUND
 BALANCE SHEET
 DECEMBER 31, 1998

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES - payable from current assets	
Accounts payable	\$ 66,747
Insurance, payroll and sales taxes	3,263
Accumulated unpaid vacation and sick leave	<u>198,488</u>
TOTAL CURRENT LIABILITIES- payable from current assets	<u>268,498</u>
CURRENT LIABILITIES - payable from restricted assets	
Unclaimed bonds	6,103
Customer meter deposits	<u>62,415</u>
TOTAL CURRENT LIABILITIES- payable from restricted assets	<u>68,518</u>
TOTAL LIABILITIES	<u>337,016</u>
FUND EQUITY	
Contributed capital	6,000
Retained earnings - unreserved	<u>997,271</u>
TOTAL FUND EQUITY	<u>1,003,271</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,340,287</u>

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FOR THE YEAR ENDED DECEMBER 31, 1998

OPERATING REVENUES

Gas sales	\$ 1,113,428
Late penalties	15,027
Service charges	17,819
Transportation fee	36,836
Other income	<u>1,690</u>

TOTAL OPERATING REVENUES 1,184,800

OPERATING EXPENSES

Bad debt	1,514
Bank charges	240
Depreciation expense	89,476
Dues	1,330
Employee benefits	65,408
Employee retirement	33,820
Employee training and seminars	1,048
Freight	281
Fuel	2,869
Gas purchases	371,796
Gas purchases fee	12,924
Insurance	59,359
Janitorial and trash	2,698
Legal and professional	23,085
Miscellaneous	1,053
Office expense	3,989
Postage	9,684
Payroll	340,132
Payroll taxes	26,657
Rental of equipment	714
Repairs and maintenance	64,609

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FOR THE YEAR ENDED DECEMBER 31, 1998

Security	2,952
Small tools	2,858
Supplies	4,940
Taxes and licenses	3,214
Telephone	8,893
Utilities	<u>12,014</u>
TOTAL OPERATING EXPENSES	<u>1,147,557</u>
OPERATING INCOME	<u>37,243</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	9,447
(Loss) on disposition of fixed assets	<u>(18,010)</u>
TOTAL NON-OPERATING (EXPENSES)	<u>(8,563)</u>
NET INCOME	<u>28,680</u>
RETAINED EARNINGS, AT BEGINNING OF YEAR	968,591
RETAINED EARNINGS, AT END OF YEAR	<u>\$ 997,271</u>

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 37,243
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	89,476
Provision for bad debts	(1,550)
Changes in assets and liabilities	
Decrease in receivables	22,610
Decrease in prepaid expenses	810
(Decrease) in accounts payable	(33,448)
Increase in restricted liabilities	3,500
Increase in accrued payables	383
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>119,024</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(<u>17,263</u>)
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(<u>17,263</u>)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	<u>9,447</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,447</u>
NET INCREASE IN CASH	111,208
CASH AT BEGINNING OF YEAR	<u>305,921</u>
CASH AT END OF YEAR	<u>\$ 417,129</u>

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH NOTES TO FINANCIAL STATEMENTS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Gas Utility District No. 1 of East Baton Rouge Parish (hereinafter referred to as the "District") is a political subdivision of the State of Louisiana. The District was created by the East Baton Rouge Parish government on November 8, 1961, under the provision of R.S. 33:4301, and operates under a Board of Commissioners form of government. The commissioners are appointed for a term of five years, except to fill an unexpired term. There are nine commissioners, seven of which are appointed by the East Baton Rouge Parish Council and two which are appointed by the Mayor of the City of Zachary. The District provides natural gas to homes and businesses in a defined area of East Baton Rouge Parish, Louisiana. The District serves approximately 3,200 homes and has about 12 employees.

Basis of Presentation - Fund Accounting

The accounting and financial reporting policies of the District conform to generally accepted accounting principles applicable to government entities that use enterprise fund accounting.

Enterprise funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities, where net income and capital maintenance are measured, are accounted for through enterprise funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District uses the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and becomes measurable and expenses are recognized in the period incurred, if measurable.

Budgets

The District adopts a flexible annual operating budget that is used as a management tool in administering the District's business activities. The volume of the District's revenues and expenses are dependent upon the level of demand for the services provided by the District. Increased demand for the goods and services causes a higher level of expenses to be incurred. Consequently, the budget is not integrated into the accounting system as an "appropriated budget" would be.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Financial Reporting Entity

Gas Utility District No. 1 of East Baton Rouge Parish is a component unit of the East Baton Rouge Parish government. The accompanying financial statements present only financial information of this component unit and no other organizations.

Cash in Banks

All funds are consolidated in one bank in Zachary, Louisiana and held in interest bearing demand deposits. The funds in the bank are covered by FDIC insurance up to \$100,000 and the bank has pledged collateral to cover any amounts over the \$100,000 limit.

Inventory

The District's inventory, valued at the lower of cost or market, consists of hot water heaters and gas space heaters. Cost is determined using the first-in first-out method.

Fixed Assets

A summary of fixed assets at December 31, 1998 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 22,900	\$ -0-	\$ 22,900
Buildings	357,178	212,482	144,696
Machinery and equipment	198,489	161,088	37,401
Furniture and fixtures	38,069	28,324	9,745
Vehicles	85,792	62,617	23,175
Gas system	1,615,176	1,108,475	506,701
Contributed assets	<u>6,000</u>	<u>-0-</u>	<u>6,000</u>
	\$ 2,323,604	\$ 1,572,986	\$ 750,618

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fixed assets are recorded at cost and depreciated using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Plant and equipment:	
Buildings	25 years
Machinery and equipment	3 - 5 years
Furniture and fixtures	3 - 10 years
Vehicles	5 years
Gas systems	24 - 40 years

Bad Debts

Uncollectible accounts due from customers are recognized as bad debts through the establishment of an allowance account. In 1998, a total of \$3,064 was charged off against the allowance account.

Unbilled Accounts Receivable

The District has its customer routes divided into 4 billing cycles. Under this procedure, meters are read and billed based on their billing cycle. At the end of the month, customers will have used some gas for which they have not yet been billed. At the end of December, an entry is made to accrue this unbilled revenue.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Included in this definition is restricted cash. Cash at December 31, 1998 is as follows:

	<u>1998</u>
Cash included in current assets	\$ 345,070
Restricted cash	<u>72,059</u>
Total cash	\$ 417,129

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Investments

The District had no investments in the current year, other than interest earned on demand deposits.

Income Taxes

The District is a local governmental entity that is exempt from income taxes.

Accumulated Vacation and Sick Leave

The District's policy on vacation allows the carryover of vacation days. The number of days allowed is determined by the length of service. The maximum number of vacation days that can be accumulated is 45. Sick leave is earned at the rate of one day for every month worked. Employees vest sick leave days up to 10 years of service. The maximum at that level is 6 months full pay and 6 months half pay. At the date of termination, an employee will be paid for any unused vacation and sick leave at their then current rate of pay.

Post Employment Benefits

In addition to the pension benefits described in Note B, the District provides certain health care benefits, in accordance with the policy adopted by the Board of Commissioners, to all employees who retire from the District and to the retirees' beneficiaries and dependents who were receiving benefits when the retiree died. At December 31, 1998, the District had one dependent and one retired employee who were receiving these benefits. The District recognizes the cost of providing these benefits by expensing the annual insurance premium, which was \$3,325 for the year ended December 31, 1998.

NOTE B. PENSION FUND FOR EMPLOYEES

The District established the "Gas Utility District No. 1 of East Baton Rouge Parish Money Purchase Plan" effective June 1, 1979. Union Planters Bank is the trustee of this defined contribution plan.

The plan is funded by monthly contributions of 10% of eligible employee wages paid between January 1 and December 31. The plan allows eligible employee contributions of up to 10% of their wages. To be an eligible employee, an individual must be 21 years of age and have been employed by the Gas Utility District for six months.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District uses Union Planters Bank's Non-Standardized Defined Contribution Prototype Plan and complies with the provisions of the Tax Reform Act of 1986 which became effective in 1993. The vesting schedule presently being applied is as follows:

1 - 2 years participation	0%	vested
3 years	20%	vested
4 years	40%	vested
5 years	60%	vested
6 years	80%	vested
7 and over years	100%	vested

The contributions for the year ended December 31, 1998 were \$33,820.

NOTE C. YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

However, management of the District became aware of the potential problem and assessed what needed to be done to be year 2000 compliant (Y2K). The District has a relatively unsophisticated computerized financial reporting system and uses "off the shelf" programs.

It was determined that the financial reporting program, word processing programs, spreadsheet programs, and the billing programs were not Y2K compliant. Subsequently, the District purchased new "off the shelf" programs that were Y2K compliant. The costs of these changes were immaterial and were expensed as acquired. The District then had an outside computer specialist test the District's computers to determine if the computers would be Y2K compliant. All the computers passed all the specialist's tests.

The District uses only manual gauges and meters for the delivery of gas to its customers.

The vendors of gas to the District, other vendors, and the banks used by the District have all indicated in writing that they have done all things they think necessary and believe that their systems are Y2K compliant.

Although all participants believe all their systems are Y2K compliant, this cannot be absolutely assured until after January 1, 2000.

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
SCHEDULE OF PER DIEM PAID BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 1998

Schedule 1

Members

Vergie Booty

Wayne Bennett

Carroll Campbell

Lawrence Carter

Shelby M. Guidry

George Kelly

Gene Lato

Pat Mack

James Santangelo

The District discontinued paying per diem to Board members in 1997.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 SCHEDULE OF PRIOR YEAR FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 1998

Schedule 2

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
1997-1 Purchase of equipment costing more than \$10,000 and no bid requests	Resolved: The District will now advertise for bids on all equipment purchases over \$10,000
1997-2 Inadequate segregation of duties	Resolved: New policies and procedures have been put in place to resolve this problem
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
The District had no Federal Awards	
SECTION III MANAGEMENT LETTER	
1997-1 Securing blank check inventory	Resolved: Kept in a locked closet with access limited to one responsible individual
1997-2 Better control over payments	Resolved: Procedure installed for review of documents before signing checks and canceling of documents after payment
1997-3 Training in the accounting system	Resolved: Outside parties were used to train the staff
1997-4 Financial Statements for Board meetings	Resolved: A full set of financial statements, including a comparison of actual to budget, are provided to Board members prior to the Board meeting

GERALD A. WALKER

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INDEPENDENT AUDITOR'S 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 East Baton Rouge Parish
Zachary, Louisiana

I have audited the general purpose financial statements of Gas Utility District No. 1 of East Baton Rouge Parish as of and for the year ended December 31, 1998, and have issued my report thereon dated June 16, 1999. 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 Gas Utility District No. 1 of East Baton Rouge Parish's general purpose 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 statements 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*.

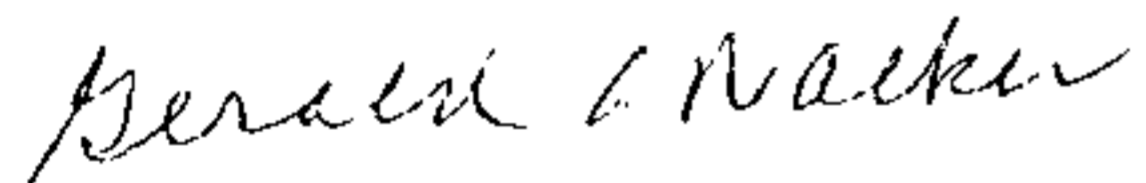
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
PAGE 2

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.



Gerald A. Walker, CPA
June 16, 1999