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West Baton Rouge Parish Public Utility

Port Allen, Louisiana

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

November 30, 2003 and 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 6-16-04

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**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 accompanying 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, 2003 and 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Baton Rouge Parish Public Utility as of November 30, 2003 and 2002, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

West Baton Rouge Parish Council

In accordance with Government Auditing Standards, I have issued a report dated May 10, 2004 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

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 10, 2004  
Baton Rouge, Louisiana

West Baton Rouge Parish Public Utility  
Port Allen, Louisiana

BALANCE SHEETS

November 30, 2003 and 2002

A S S E T S

	<u>2003</u>	<u>2002</u>
<u>Current Assets</u>		
Cash:		
Payroll account	\$ 46,734	\$ 25,866
Revenue account	8,971	43,651
Other accounts	518,863	680,156
On hand	<u>895</u>	<u>895</u>
Total Cash	575,463	750,568
Investments (See Note 4)	588,325	597,543
Accounts receivable (See Note 9)	322,117	373,237
Prepaid expenses	28,162	41,511
Accrued interest receivable	<u>1,912</u>	<u>2,216</u>
Total Current Assets	1,515,272	1,765,072
<u>Restricted Asset - (See Note 3)</u>		
Customers' deposits	<u>281,525</u>	<u>259,629</u>
Utility Plant and Equipment		
At cost, net of accumulated depreciation (See Note 5)	8,452,614	7,611,522
<u>Other Assets</u>		
Due from Water District No. 4 (See Note 7)	<u>34,819</u>	<u>34,819</u>
Total Assets	<u>\$ 10,291,937</u>	<u>\$ 9,671,115</u>

LIABILITIES AND FUND EQUITY

	<u>2003</u>	<u>2002</u>
<u>Current Liabilities - (Payable from Current Assets)</u>		
Accounts payable	\$ 171,918	\$ 286,056
Accrued and withheld taxes and expenses	42,347	44,250
Miscellaneous payables	6,632	5,863
Payable to other systems and the Parish Council	28,896	75,336
Payable to State of Louisiana	<u>301,167</u>	<u>301,167</u>
Total Liabilities (Payable from Current Assets)	550,260	712,672
<u>Current Liabilities - (Payable from Restricted Assets) (See Note 12)</u>		
	<u>281,525</u>	<u>259,629</u>
<u>Long-Term Liabilities</u>		
Accumulated unpaid vacation (See Note 11)	<u>93,286</u>	<u>83,944</u>
Total Liabilities	925,071	1,056,315
<u>Fund Equity</u>		
Contributed capital	4,245,930	3,312,965
Retained earnings	5,120,236	5,301,835
Total Fund Equity	<u>9,366,166</u>	<u>8,614,800</u>
Total Liabilities and Fund Equity	<u>\$ 10,291,937</u>	<u>\$ 9,671,115</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CHANGES IN  
CONTRIBUTED CAPITAL

For the years ended November 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Beginning Balance, December 1	\$ 3,312,965	\$ 3,312,965
Contributions during the year	<u>932,965</u>	<u>-0-</u>
Balance, November 30	\$ <u>4,245,930</u>	\$ <u>3,312,965</u>

The sources of contributions  
at November 30, 2003 and 2002  
are as follows:

Federal Government-through the Parish Council	\$ 3,008,809	\$ 2,075,844
Developers	662,272	662,272
State Government-through the Parish Council	120,106	120,106
Parish Council	<u>454,743</u>	<u>454,743</u>
Balance, November 30	\$ <u>4,245,930</u>	\$ <u>3,312,965</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF CHANGES IN  
RETAINED EARNINGS

For the years ended November 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Beginning Balance, December 1	\$ 5,301,835	\$ 5,534,802
Net (loss) income for the year	<u>(181,599)</u>	<u>(232,967)</u>
Balance, November 30	\$ <u>5,120,236</u>	\$ <u>5,301,835</u>

Retained earnings at November 30, 2003 and 2002 consists of the following:

Reserved - for bond retirement	\$ -0-	\$ -0-
Unreserved	<u>5,120,236</u>	<u>5,301,835</u>
Balance, November 30	\$ <u>5,120,236</u>	\$ <u>5,301,835</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, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Operating Revenues</u>		
Gas sales	\$ 2,839,449	\$ 2,069,152
Water sales	818,913	861,542
Penalties	25,741	34,420
Extension and connection charges	30,718	29,290
Service agreement (See Note 7)	135,132	134,047
Other income (See Note 10)	190,120	182,686
Bad debt recovery	<u>1,392</u>	<u>756</u>
Total Operating Revenues	<u>4,041,465</u>	<u>3,311,893</u>
<u>Operating Expenses</u>		
Gas purchases	1,840,507	1,303,383
Water purchases	1,587	228
Salaries and wages	1,196,710	1,089,227
Depreciation	343,427	317,118
Meter and system repairs and supplies	174,630	152,441
Bad debts	4,116	3,886
Billing expense	-0-	3,737
Cathodic protection	10,285	15,174
Collection expense	1,200	1,200
Equipment rental and repair	10,286	11,436
Equipment service contracts	39,427	34,573
Gas tap maintenance charge	-0-	450
Insurance - employee benefits	199,374	182,704
Insurance and surety bonds	70,437	138,769
Miscellaneous	25,843	37,097
Office supplies and postage	26,445	22,092
Payroll taxes	9,616	8,580
Professional services	29,423	27,541
Telephone	5,069	5,400
Truck and travel	42,722	41,189
Utilities	117,339	95,076
Retirement	91,322	83,057
Unemployment compensation	<u>250</u>	<u>4,965</u>
Total Operating Expenses	<u>4,240,015</u>	<u>3,579,323</u>
Operating Loss	(198,550)	(267,430)

(CONTINUED)

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

STATEMENTS OF REVENUES AND EXPENSES - (Cont'd)

For the years ended November 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Loss from the preceding page	\$ <u>(198,550)</u>	\$ <u>(267,430)</u>
<u>Nonoperating Revenues</u>		
Interest on investments and savings	21,823	40,510
(Loss) gain on investments	<u>(3,114)</u>	<u>(4,393)</u>
Total Nonoperating Revenues	<u>18,709</u>	<u>36,117</u>
<u>Nonoperating Expenses</u>		
Interest on bonds	-0-	-0-
Amortization of debt issuance expenses	-0-	-0-
Trustee fees	<u>1,758</u>	<u>1,654</u>
Total Nonoperating Expenses	<u>1,758</u>	<u>1,654</u>
Net (Loss) Income	\$ <u>(181,599)</u>	\$ <u>(232,967)</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, 2003 and 2002

Increase (Decrease) in Cash and Cash Equivalents

	<u>2003</u>	<u>2002</u>
<u>Cash Flows from Operating Activities:</u>		
Operating (loss) income	\$ _ (198,550)	\$ _ (267,430)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	343,427	317,118
Salvage values expensed	8,396	-0-
(Increase) Decrease in assets:		
Accounts receivable	51,119	(36,811)
Prepaid expenses	13,349	(3,714)
Accrued interest receivable	305	(2,216)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(116,040)	154,769
Miscellaneous payables	634	(36,972)
Payable to other systems	(46,307)	50,308
Accumulated unpaid vacation	9,342	1,793
Customer deposits	<u>21,826</u>	<u>14,267</u>
Total adjustments	<u>286,051</u>	<u>458,542</u>
Net cash provided by operating activities	87,501	191,112

(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, 2003 and 2002

Increase (Decrease) in Cash and Cash Equivalents

	<u>2003</u>	<u>2002</u>
Net cash provided by operating activities - from the preceding page	\$ <u>87,501</u>	\$ <u>191,112</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(266,950)	(149,025)
Principal paid on revenue bond maturities	-0-	-0-
Interest expense	-0-	-0-
Trustee fees	<u>(1,758)</u>	<u>(1,654)</u>
Net cash used by capital and financing activities	<u>(268,708)</u>	<u>(150,679)</u>
Net cash before cash flows before investing activities	(181,207)	40,433

(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, 2003 and 2002

Increase (Decrease) in Cash and Cash Equivalents

	<u>2003</u>	<u>2002</u>
Net cash before cash flows before investing activities - from the preceding page	\$ (181,207)	\$ <u>40,433</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and dividends on investments	21,823	40,510
Purchase of investment securities	(132,385)	(167,083)
Sale of investment securities	<u>138,490</u>	<u>158,014</u>
Net cash provided by investing activities	<u>27,928</u>	<u>31,441</u>
Net (decrease) increase in cash and cash equivalents	(153,279)	71,874
Cash and cash equivalents at the beginning of the year	<u>1,010,267</u>	<u>938,393</u>
Cash and cash equivalents at the end of the year	\$ <u>856,988</u>	\$ <u>1,010,267</u>

Cash Flow Disclosures

Noncash Investing, Capital, and Financing Activities

During 2003 the Parish Council transferred a sewer system with a cost of \$932,965 to West Baton Rouge Parish Public Utility.

<u>Interest Paid</u>	<u>2003</u>	<u>2002</u>
Interest charged to expense	\$ <u>-0-</u>	\$ <u>-0-</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, 2003 and 2002

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 those 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

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

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 (enterprise) 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. Revenue from utility services provided but not yet billed to customers are recognized in the period in which the services were provided.

Proprietary (enterprise) 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, 2003 and 2002

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 fair market value.

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	20-35 years
Water system	30-50 years
Sewer System	50 years
Utility equipment	5-10 years
Office equipment	5-10 years
Vehicles	4-5 years
Buildings	20 years

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

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, 2003 or 2002.

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 FNMA and FMAC 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, 2003 was \$856,093, all bank deposits were in interest bearing accounts.

The bank balances of these deposits totaled \$961,171 on November 30, 2003. At November 30, 2003 the Utility's bank balances were secured by \$100,000 of FDIC insurance, and \$1,085,183 of collateral held by the pledging financial institution's agent in the name of the pledging financial institutions and pledged to the Utility (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 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

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

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. 33:2955.

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 exempted or prohibited from investment under existing state or federal statutes.

NOTE 3. RESTRICTED ASSET

The restricted asset is the checking account used to hold the deposits made by customers to secure service from the West Baton Rouge Parish Public Utility. These funds can only be used to repay deposits to customers upon their termination of service.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

**NOTE 4. INVESTMENTS**

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

	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
<b><u>2003:</u></b>		
FNMA and FMAC Pools, & U.S. Treasury Notes 1.5% to 6.5%, due 5/15/05 to 2/15/13	\$ 578,846	\$ 580,090
Paine Weber Cash and Money Funds	<u>9,479</u>	<u>9,479</u>
Total	\$ <u>588,325</u>	\$ <u>589,569</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, GASB Category 3.

	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
<b><u>2002:</u></b>		
FNMA and FMAC Pools, & US Treasury Notes 3.875% to 7%, due 2/15/03 to 2/15/12	\$ 510,758	\$ 506,707
Paine Weber Cash and Money Funds	<u>86,785</u>	<u>86,785</u>
Total	\$ <u>597,543</u>	\$ <u>593,492</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 5. UTILITY PLANT AND EQUIPMENT

Utility Plant and Equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
As of November 30, 2003:			
Gas distribution system	\$ 3,279,541	\$1,821,792	\$1,457,749
Water distribution system	6,169,187	2,335,525	3,833,662
Sewer system	3,062,602	315,496	2,747,106
Utility and sewer equipment	569,033	393,097	175,936
Office equipment	136,840	78,449	58,391
Vehicles	323,381	202,777	120,604
Buildings	108,948	96,760	12,188
Land	<u>53,978</u>	<u>-0-</u>	<u>53,978</u>
Totals	<u>\$13,703,510</u>	<u>\$5,243,896</u>	<u>\$8,459,614</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 5. UTILITY PLANT AND EQUIPMENT - (Cont'd)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
As of November 30, 2002:			
Gas distribution system	\$ 3,230,573	\$1,756,545	\$1,474,028
Water distribution system	6,128,347	2,203,205	3,925,142
Sewer system	2,141,637	245,183	1,896,454
Utility and sewer equipment	493,901	360,678	133,223
Office equipment	178,383	155,804	22,579
Vehicles	330,777	227,295	103,482
Buildings	108,948	94,312	14,636
Land	<u>41,978</u>	<u>-0-</u>	<u>41,978</u>
Totals	<u>\$12,654,544</u>	<u>\$5,043,022</u>	<u>\$7,611,522</u>

Cost includes sewer, gas, and water systems donated to the Parish valued at fair market value, which approximated original cost, on the date donated. Donated assets valued at fair market value totaled \$662,272 at November 30, 2003 and 2002.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 6. 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 60 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, 1980, 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, 1980, 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

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 6. 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 Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under plan A, members are required by state statute to contribute 9.5 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 7.75 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, 2003, 2002, 2001, and 2000 were \$91,322, \$83,057, \$80,506, and \$67,074 respectively, equal to the required contributions for each year.

NOTE 7. 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, 1982. The lease expired in 1996, but continues on a month to month basis.

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West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 7. WATER SYSTEM AGREEMENT - (Cont'd)

Rental income from the leased water systems was \$1,251 for the year ended November 30, 2003 and \$1,251 for the year ended November 30, 2002.

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 \$87,832 under the operating agreement for the year ended November 30, 2003 and \$86,561 for the year ended November 30, 2002. In addition, the Public Utility billed Water Works District No. 4 \$46,049 and \$46,235 during the years ended November 30, 2003 and 2002 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 \$22,099 and \$19,093 as of November 30, 2003 and 2002, 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, 1990. The relocation was required by the Louisiana Department of Transportation (See Note 13). Total cost of relocating the Water District's lines was \$48,498. The balance owed to the Public Utility as of November 30, 2003 and 2002 was \$34,819, 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, 2003 and 2002

NOTE 8. WEST BATON ROUGE PARISH COUNCIL

Contributed Capital - During the year ended November 30, 2003, the Parish Council contracted for the construction of a sewer system at a cost of \$932,965. Once constructed that system was transferred to the Public Utility. Costs were paid with federal funds.

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 \$ .33 per customer billing for providing this service. The Utility earned \$3,915 for the year ended November 30, 2003 and \$3,944 for the year ended November 30, 2002 for providing this service. The Utility owed the Council \$11,626 for garbage fees collected and other amounts collected but not remitted to the Council at November 30, 2003. The amount owed to the Council at November 30, 2002 was \$10,694.

Insurance Premiums - The West Baton Rouge Parish Council purchases insurance policies to cover its risks. Some policies purchased also cover the risks of the West Baton Rouge Parish Public Utility. The Public Utility reimburses the Parish Council for its portion of the premiums. At November 30, 2002 the Utility owed the Council \$37,121 for insurance premiums. There was not an amount payable to the Council at November 30, 2003.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

**NOTE 9. ACCOUNTS RECEIVABLE**

Accounts receivable at November 30, 2003 and 2002 was made up of the following:

	<u>2003</u>	<u>2002</u>
Customer accounts:		
Billed	\$ 225,364	\$ 286,983
Unbilled	67,890	61,982
Receivable from other water systems	<u>32,663</u>	<u>28,072</u>
Total	325,917	377,037
Less allowance for doubtful account	<u>(3,800)</u>	<u>(3,800)</u>
Net	\$ <u>322,117</u>	\$ <u>373,237</u>

**NOTE 10. OTHER INCOME**

Other income as of November 30, 2003 and 2002 was composed of the following:

	<u>2003</u>	<u>2002</u>
Service charges	\$ 6,730	\$ 6,483
Sewer fees	162,233	150,212
Charges to other systems	14,836	10,323
Garbage billing fees	3,915	3,944
Miscellaneous income	<u>2,406</u>	<u>11,724</u>
Total	\$ <u>190,120</u>	\$ <u>182,686</u>

**NOTE 11. 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.

(Continued)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 11. ACCUMULATED UNPAID VACATION - Cont'd

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 300 hours of unused vacation.

As of November 30, 2003 and 2002, employees of the Utility had accumulated and vested \$93,286 and \$83,944, 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.

NOTE 12. CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The following current liabilities were payable from restricted assets as of November 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Customers' deposits	\$ <u>281,525</u>	\$ <u>259,699</u>

NOTE 13. 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 agreed to loan the Public Utility funds to finance the relocation. At November 30, 1997, \$63,791 had been advanced to the Public Utility to assist in paying costs incurred to that date on the relocation project. During the years ended November 30, 1999 and 1998, \$15,126 and \$108,783 were advanced to cover costs incurred during those years. The total amount payable

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 13. PAYABLE TO STATE OF LOUISIANA - Cont'd

on this loan was \$187,700 at November 30, 2003 and 2002.

During the year ended November 30, 1990, 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 \$197,900 from the Louisiana Department of Transportation (DOTD) during the year ended November 30, 1992. Of this amount, \$113,467 was a loan from DOTD and is shown as a current liability on the Balance Sheet and \$84,433 was a grant from DOTD. The Public Utility had not repaid the loan as of November 30, 2003.

NOTE 14. POST-EMPLOYMENT HEALTH CARE BENEFITS

Retiree Benefits

In addition to the pension benefits described in Note 6, 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 10 years of service, at or after the age 55 with 25 years of service, or at any age with 30 years of service. Currently, four retirees meet those eligibility requirements. The Utility pays for 85 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, 2003 and 2002, those costs totaled \$25,479 and \$18,699, 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, 2003 and 2002.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

**NOTE 15. RELATED PARTY TRANSACTIONS**

In addition to the transactions discussed in Notes 7 and 8 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 \$20,668 and \$15,876 for costs paid by the Utility during the years ended November 30, 2003 and 2002, respectively. The other system owed the Utility \$7,538 at November 30, 2003 and \$6,303 at November 30, 2002.

The other system billed the Utility for \$17,268 and \$27,521 for costs it paid during the years ended November 30, 2003 and 2002, respectively. The Utility owed the other system \$17,270 at November 30, 2003 and \$27,521 at November 30, 2002.

The other system also collects sewer fees from its water customers who are sewer customers of the West Baton Rouge Parish Public Utility for the Utility. At November 30, 2003 and 2002 the other system owed the Utility \$3,026 and \$2,676 respectively.

**NOTE 16. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS**

Water sales to Placid Refining Company accounted for 42.9% of water sales for the year ended November 30, 2003 and 42.9% for the year ended November 30, 2002. The receivable from Placid was approximately 10.3% of total accounts receivable at November 30, 2003 and 9% of total accounts receivable at November 30, 2002.

(Continued)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2003 and 2002

NOTE 16. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS - (Cont'd)

Gas sales to a customer in the highway construction business accounted for 10.23% of gas sales for the year ended November 30, 2003 and 12.83% for the year ended November 30, 2002. The receivable from this customer was approximately .2% of total accounts receivable at November 30, 2003 and 21.90% of the accounts receivable balance at November 30, 2002.

Gas sales to a customer in the shipyard business accounted for 6.25% of gas sales for the year ended November 30, 2003 and 4.43% for the year ended November 30, 2002. The receivable from this customer was approximately 8.20% of total accounts receivable as of November 30, 2003 and 4.10% as of November 30, 2002.

Water sales to a customer in the chemical industry accounted for approximately 11.94% of water sales for the year ended November 30, 2003 and 12.83% the year ended November 30, 2002. The receivable from this customer was approximately 2.70% of total accounts receivable as of November 30, 2003. The receivable from this customer at November 30, 2002 was 2.70% of receivables

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.

S U P P L E M E N T A R Y I N F O R M A T I O N

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED)

November 30, 2003 and 2002

On November 30, 2003, the natural gas system was serving 3,725 customers as compared to 3,494 on November 30, 2002. The number of customers billed during the current period and other customer data are presented below:

Gas Sales	\$ 2,839,449
MCF's of gas sold	338,868
Total number of customers' billings	44,011
Average number of customers billed per month	3,668
Average monthly revenue per customer	\$ 64.52
Average revenue per MCF billed	\$ 8.38

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED) - (Cont'd)

November 30, 2003 and 2002

An analysis of gas sales and purchases for the year ended November 30, 2003 is as follows:

	<u>Amount</u>	<u>MCF</u>
Gas sales	\$ 2,069,152	338,868
Gas loss accounted for		3,855
Less gas purchases	<u>1,303,383</u>	<u>335,700</u>
Gross Profit on Gas Sales	\$ <u>765,769</u>	
MCF Gain unaccounted for in sales		<u>7,023</u>
Percent of Gain	<u>2.01%</u>	

The water division of the West Baton Rouge Parish Public Utility was serving 1,138 customers at November 30, 2003.

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

	<u>Placid</u>	<u>Chemical Plants</u>	<u>Others</u>
Water sales	\$ 338,581	\$ 94,229	\$ 386,103
M gallons sold	564,302	157,006	327,993
Total number of customers' billings	12	12	13,718
Average number of customers billed per month	1	1	1,143
Average monthly revenue per customer	\$ 28,215	\$ 7,852	\$ 28.15
Average revenue per M gallons	\$ .60	\$ .60	\$ 1.18

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

SCHEDULE OF CHANGES IN UTILITY PLANT AND EQUIPMENT

For the year ended November 30, 2003 and 2002

	<u>Cost November 30, 2002</u>	<u>Additions and (Transfers)</u>	<u>Deletions</u>	<u>Cost November 30, 2003</u>
Gas distribution system	\$3,230,573	\$ 48,968	\$ -0-	\$ 3,279,541
Water distribution system	6,128,347	40,840	-0-	6,169,187
Sewer System	2,141,637	920,965	-0-	3,062,602
Utility and sewer equipment	493,901	75,132	-0-	569,033
Office equipment	178,383	51,023	92,566	136,840
Vehicles	330,777	50,987	58,383	323,381
Buildings	108,948	-0-	-0-	108,948
Land	<u>41,978</u>	<u>12,000</u>	<u>-0-</u>	<u>53,978</u>
Totals	<u>\$12,654,544</u>	<u>\$1,199,915</u>	<u>\$150,949</u>	<u>\$13,703,510</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

INSURANCE COVERAGE (UNAUDITED)

November 30, 2003

Insurance and fidelity bond coverage on November 30, 2003 were as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
February 1, 2004	St. Paul Fire & Marine Insurance Company (Automobile Insurance) Property damage	Bodily injury liability-\$1,000,000; Comprehensive, \$1,000 deductible; Uninsured motorists \$1,000,000; Collision \$1,000 deductible; \$25,000 self insured retention.
January 1, 2004	Parish Government Risk Management Agency (Workmen's Compensation)	Statutory rates, \$200,000 maximum.
February 1, 2004	St. Paul Fire & Marine Insurance Company (General Liability)	General aggregate limit, \$2,000,000; Products-completed operation aggregate, \$2,000,000; each occurrence \$1,000,000; Personal and advertising injury limit \$1,000,000; \$25,000 self insured retention.
February 17, 2004	Western Surety Co.	Public Official's Bond (Ronald K. Treuil) \$100,000.
March 20, 2004	Western Surety Co.	Position surety bond on the following: Office manager, three secretaries, meter readers; \$5,000 each.
October 6, 2004	American Central Insurance Company	Water tower coverage, coverage varies by tower, \$10,000 deductible, 90% coinsurance.



**CALVIN L. ROBBINS, JR.**

CERTIFIED PUBLIC ACCOUNTANT  
(A 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  
Port 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 years ended November 30, 2003 and 2002, and have issued my report thereon dated May 10, 2004. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the 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 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 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 solely for the information of the management of the West Baton Rouge Parish Public Utility and members of the West Baton Rouge Parish Council and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant  
(A Professional Corporation)

May 10, 2004  
Baton Rouge, Louisiana