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West Baton Rouge Parish Public Utility  
Port Allen, Louisiana

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL  
November 30, 1995 and 1994

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 8-21-96



**CALVIN L. ROBBINS, JR.**

CERTIFIED PUBLIC ACCOUNTANT  
(A PROFESSIONAL CORPORATION)

May 17, 1996

West Baton Rouge Parish Council  
Port Allen, Louisiana

I have audited the financial statements of the West Baton Rouge Parish Public Utility for the year ended November 30, 1995 and have issued my report thereon dated May 17, 1996. As part of my audit, I made a study and evaluation of the Utility's system of internal accounting control 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 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

As noted in my letter last year, the billing register should be reconciled to the general ledger on a monthly basis. This will eliminate year-end adjustments. This problem was again discussed with the Utility's management, who plans to take steps this year to begin reconciling the billing register with the general ledger.

I will be happy to assist you in addressing this suggestion. It has been a pleasure to serve you during the course of this engagement.

*Calvin L. Robbins, Jr.*  
Certified Public Accountant

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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 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, 1995 and 1994, 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 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 enterprise 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, 1995 and 1994, and the results of its operations, for the years then ended and cash flows for the years ended November 30, 1995 and 1994 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.

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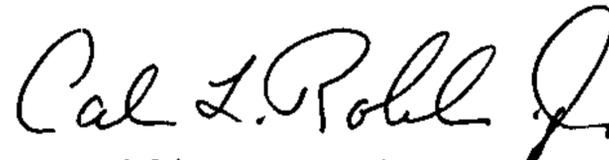
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West Baton Rouge Parish Council

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.

In accordance with Government Auditing Standards, I have issued a report dated May 17, 1996 on my consideration of the West Baton Rouge Parish Public Utility's internal control structure, and a report dated May 17, 1996 on its compliance with laws and regulations.



Certified Public Accountant

May 17, 1996  
Baton Rouge, Louisiana

BALANCE SHEETS

LIABILITIES AND FUND EQUITY

	<u>1995</u>	<u>1994</u>
<u>Current Liabilities</u> - (Payable from Current Assets)		
Accounts payable	\$ 83,588	\$ 96,629
Contracts payable	-0-	54,194
Accrued and withheld taxes and expenses	35,490	35,355
Miscellaneous payables	6,985	6,177
Payable to other systems and the Parish Council	17,495	7,948
Payable to State of Louisiana	<u>113,467</u>	<u>113,467</u>
Total Liabilities (Payable from Current Assets)	- <u>257,025</u>	- <u>313,770</u>
 <u>Current Liabilities</u> - (Payable from Restricted Assets) (See Note 13)	 - <u>268,783</u>	 - <u>258,384</u>
 <u>Long-Term Liabilities</u>		
Revenue bonds - net of current maturities (See Note 6)	490,000	570,000
Accumulated unpaid vacation (See Note 12)	<u>45,111</u>	<u>37,499</u>
Total Long-term Liabilities	<u>535,111</u>	<u>607,499</u>
Total Liabilities	<u>1,060,919</u>	<u>1,179,653</u>
 <u>Fund Equity</u>		
Contributed capital	1,646,208	1,026,459
Retained earnings	<u>4,557,331</u>	<u>4,386,251</u>
Total Fund Equity	<u>6,203,539</u>	<u>5,412,710</u>
Total Liabilities and Fund Equity	\$ <u>7,264,458</u>	\$ <u>6,592,363</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, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Beginning Balance, December 1	\$ 1,026,459	\$ 1,026,459
Contributions during the year	<u>619,749</u>	<u>-0-</u>
Balance, November 30	\$ <u>1,646,208</u>	\$ <u>1,026,459</u>

The sources of contributions  
at November 30, 1995 and 1994  
are as follows:

Federal Government-through the Council	\$ 1,249,479	\$ 629,730
Council	<u>396,729</u>	<u>396,729</u>
Balance, November 30	\$ <u>1,646,208</u>	\$ <u>1,026,459</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, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Beginning Balance, December 1	\$ 4,386,251	\$ 4,248,253
Net income for the year	<u>171,080</u>	<u>137,998</u>
Balance, November 30	\$ <u>4,557,331</u>	\$ <u>4,386,251</u>

Retained earnings at November 30, 1995 and 1994 consists of the following:

Reserved - for bond retirement	\$ 96,279	\$ 92,543
Unreserved	<u>4,461,052</u>	<u>4,293,708</u>
Balance, November 30	\$ <u>4,557,331</u>	\$ <u>4,386,251</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, 1995 and 1994

	<u>1995</u>	<u>1994</u>
<u>Operating Revenues</u>		
Gas sales	\$ 1,428,002	\$ 1,481,165
Water sales	456,381	428,651
Penalties	14,362	14,345
Extension and connection charges	39,239	43,453
Service agreement (See Note 8)	71,079	68,440
Other income (See Note 11)	122,435	94,186
Bad debt recovery	<u>519</u>	<u>799</u>
Total Operating Revenues	<u>2,132,017</u>	<u>2,131,039</u>
<u>Operating Expenses</u>		
Gas purchases	533,131	658,461
Water purchases	5,011	3,748
Salaries and wages	664,221	636,651
Depreciation	227,075	198,619
Meter and system repairs and supplies	87,107	78,761
Bad debts	2,378	1,938
Billing expense	1,824	3,552
Cathodic protection	11,697	7,548
Collection expense	1,200	1,200
Equipment rental and repair	13,166	5,962
Equipment service contracts	26,598	22,620
Gas tap maintenance charge	5,400	5,400
Insurance - employee benefits	55,502	51,228
Insurance and surety bonds	69,196	57,067
Miscellaneous	29,373	18,712
Office supplies and postage	13,865	11,237
Payroll taxes	4,176	4,909
Professional services	22,546	18,900
Telephone	5,348	4,478
Truck and travel	33,290	31,720
Utilities	55,554	68,377
Retirement	50,144	50,476
Unemployment taxes and workmen's compensation	<u>41,726</u>	<u>38,113</u>
Total Operating Expenses	<u>1,959,528</u>	<u>1,979,677</u>
Operating Income	172,489	151,362

(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, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Operating Income from the preceding page	\$ <u>172,489</u>	\$ <u>151,362</u>
<u>Nonoperating Revenues</u>		
Interest on investments and savings	44,804	38,855
Gain on investment transactions	<u>782</u>	<u>-0-</u>
Total Nonoperating Revenues	-- <u>45,586</u>	-- <u>38,855</u>
<u>Nonoperating Expenses</u>		
Interest on bonds	43,400	48,669
Loss on investment transactions	-0-	1,088
Amortization of debt issuance expenses	1,348	1,348
Trustee fees	<u>2,247</u>	<u>1,114</u>
Total Nonoperating Expenses	<u>46,995</u>	<u>52,219</u>
Net Income	\$ <u>171,080</u>	\$ <u>137,998</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, 1995 and 1994

Increase (Decrease) in Cash and Cash Equivalents

	<u>1995</u>	<u>1994</u>
<u>Cash Flows from Operating Activities:</u>		
Operating income	\$ <u>172,489</u>	\$ <u>151,362</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	227,075	198,619
(Increase) Decrease in assets:		
Accounts receivable	(35,443)	23,229
Prepaid expenses	1,596	(8,984)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(12,906)	(6,875)
Miscellaneous payables	808	950
Payable to other systems	9,547	5,330
Accumulated unpaid vacation	7,612	1,139
Customer deposits	<u>7,293</u>	<u>(1,932)</u>
Total adjustments	<u>205,582</u>	<u>211,476</u>
Net cash provided by operating activities	378,071	362,838

(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, 1995 and 1994

Increase (Decrease) in Cash and Cash Equivalents

	<u>1995</u>	<u>1994</u>
Net cash provided by operating activities - from the preceding page	\$ <u>378,071</u>	\$ <u>362,838</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(439,290)	(397,443)
Principal paid on revenue bond maturities and equipment leases	(75,000)	(70,000)
Interest expense	(45,150)	(50,302)
Trustee fees	<u>(2,247)</u>	<u>(1,114)</u>
Net cash used by capital and financing activities	<u>(561,687)</u>	<u>(518,859)</u>
Net cash before cash flows from investing activities	(183,616)	(156,021)

(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, 1995 and 1994

Increase (Decrease) in Cash and Cash Equivalents

	<u>1995</u>	<u>1994</u>
Net cash before cash flows from investing activities - from the preceding page	\$ <u>(183,616)</u>	\$ <u>(156,021)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and dividends on investments	42,463	35,265
Purchase of investment securities	<u>(6,153)</u>	<u>(25,500)</u>
Net cash provided (used) by investing activities	<u>36,310</u>	<u>9,765</u>
Net decrease in cash and cash equivalents	(147,306)	(146,256)
Cash and cash equivalents at the beginning of the year	<u>747,623</u>	<u>893,879</u>
Cash and cash equivalents at the end of the year	\$ <u><u>600,317</u></u>	\$ <u><u>747,623</u></u>

Cash Flow Disclosures

Noncash Investing, Capital, and Financing Activities

There were no noncash investing, capital, and financing activities in 1994. During 1995 a complete sewer system costing \$619,749 was contributed to the West Baton Rouge Parish Public Utility by the West Baton Rouge Parish Council.

<u>Interest Paid</u>	<u>1995</u>	<u>1994</u>
Interest charged to expense	\$ 45,150	\$ 50,302
Interest capitalized	\$ -0-	\$ -0-

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS

November 30, 1995 and 1994

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 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 conformance with GASB Statement No. 14, the West Baton Rouge Parish Public Utility includes all funds, account

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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

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.

Enterprise Fund

The West Baton Rouge Parish Public Utility is operated as an 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 their 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.

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, 1995 and 1994

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

Cash and Investments

Cash deposited with financial institutions is carried at cost plus accrued interest.

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

All assets are recorded at original cost, including interest capitalized during the construction period. 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

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 \$5,842 as of November 30, 1995 and \$4,494 as of November 30, 1994.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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, 1995 or 1994.

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, 1995 was \$600,317, including \$525,030 in interest bearing accounts.

The bank balances of these deposits totaled \$619,715 on November 30, 1995. At November 30, 1995 the Utility's bank balances were secured by \$193,210 of FDIC insurance, and \$1,000,000 of collateral held by the pledging financial institution's agent in the pledging financial institution's name and pledged to the Utility (Category 3).

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

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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

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 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, 1993. These bonds were issued during 1993 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, 1/6th 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 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.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

NOTE 3. RESTRICTED ASSETS - (Cont'd)

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 resumed if the fund is reduced below \$50,000.

All proceeds derived from the sale of the Bonds, except accrued interest and proceeds deposited into the Reserve Fund, were required to be deposited into a Construction Fund. The funds in the Construction Fund shall be used solely for the purpose of constructing and acquiring extensions and improvements to the System for which the Bonds were issued.

NOTE 4. INVESTMENTS

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

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>1995:</u>		
FNMA and FMAC Pools, U.S. Treasury Notes and Bonds 6.25% to 7.875%, due 5/31/96 to 12/25/23	\$ 515,603	\$ 497,918
Paine Webber Cash and Money Funds	<u>11,854</u>	<u>11,854</u>
Total	\$ <u>527,457</u>	\$ <u>509,772</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, 1995 and 1994

NOTE 4. INVESTMENTS - (Cont'd)

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>1994:</u>		
FNMA and FMAC Pools, 5.89% to 7.125%, due 9/21/95 to 2/15/23	\$ 507,065	\$ 426,035
Paine Webber Cash and Money Funds	<u>13,457</u>	<u>13,457</u>
Total	\$ <u>520,522</u>	\$ <u>439,492</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, Category 3.

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, 1995:			
Gas distribution system	\$2,262,754	\$1,319,336	\$ 943,418
Water distribution system	5,187,602	1,362,529	3,825,073
Sewer system	705,870	12,940	692,930
Utility and sewer equipment	316,953	210,028	106,925
Office equipment	114,152	87,323	26,829
Vehicles	231,683	138,212	93,471
Buildings	107,193	65,374	41,819
Land	41,978	-0-	41,978
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$8,968,185</u>	<u>\$3,195,742</u>	<u>\$5,772,443</u>

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
As of November 30, 1994:			
Gas distribution system	\$2,212,781	\$1,272,976	\$ 939,805
Water distribution system	4,805,258	1,251,123	3,554,135
Utility and sewer equipment	303,211	188,252	114,959
Office equipment	99,086	82,179	16,907
Vehicles	197,614	113,708	83,906
Buildings	107,193	60,429	46,764
Land	41,978	-0-	41,978
Construction in progress	<u>196,363</u>	<u>-0-</u>	<u>196,363</u>
Totals	<u>\$7,963,484</u>	<u>\$2,968,667</u>	<u>\$4,994,817</u>

NOTE 6. REVENUE BONDS PAYABLE

The following is a summary of utility revenue bond transactions of the Public Utility for the years ended November 30, 1995 and 1994:

	<u>1995</u>	<u>1994</u>
Bonds payable, December 1	\$ 645,000	\$ 715,000
Bonds retired	<u>(75,000)</u>	<u>(70,000)</u>
Bonds payable, November 30	\$ <u>570,000</u>	\$ <u>645,000</u>

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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

Revenue bonds payable at November 30, 1995 and 1994 consisted of the following:

	<u>1995</u>	<u>1994</u>
\$840,000 Utilities Revenue Bonds Series 1993, dated August 1, 1993; due in annual installments of \$60,000 to \$110,000 through August 1, 2001; 7% interest, principal and interest to be paid from the income and revenue derived from the operation of the Public Utility.	\$ 570,000	\$ 645,000
Less Current Portion	<u>80,000</u>	<u>75,000</u>
Long Term Portion	\$ <u>490,000</u>	\$ <u>570,000</u>

The annual requirements to amortize the revenue bonds payable as of November 30, 1995 are as follows:

<u>Year Ending</u> <u>November 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 80,000	\$ 39,900	\$ 119,900
1997	85,000	34,300	119,300
1998	90,000	28,350	118,350
1999	100,000	22,050	122,050
2000	105,000	15,050	120,050
2001	<u>110,000</u>	<u>7,700</u>	<u>117,700</u>
Total	\$ <u>570,000</u>	\$ <u>147,350</u>	\$ <u>717,350</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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 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 by state statute.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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 Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 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 8.0 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, 1995, 1994, and 1993, were \$50,144, \$50,476, and \$52,350, 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, 1982. The lease expires in 1995.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

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

Rental income from the leased water systems was \$313 for the year ended November 30, 1995 and \$1,250 for the year ended November 30, 1994.

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 \$71,079 under the operating agreement for the year ended November 30, 1995 and \$68,440 for the year ended November 30, 1994. In addition, the Public Utility billed Water Works District No. 4 \$33,236 and \$28,775 during the years ended November 30, 1995 and 1994 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 \$16,517 and \$16,883 as of November 30, 1995 and 1994, 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 15). Total cost of relocating the Water District's lines was \$48,498. The balance owed to the Public Utility as of November 30, 1995 and 1994 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, 1995 and 1994

NOTE 9. WEST BATON ROUGE PARISH COUNCIL

Contributed Capital - During the year ended November 30, 1995 the West Baton Rouge Parish Council transferred a completed sewer system to the West Baton Rouge Parish Public Utility. Cost of the system was \$619,749.

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 \$3,536 for the year ended November 30, 1995 and \$3,401 for the year ended November 30, 1994 for providing this service. The Utility owed the Council, \$9,752 for garbage fees collected and other amounts collected but not remitted to the Council at November 30, 1995. The amount owed to the Council at November 30, 1994 was \$1,935.

NOTE 10. ACCOUNTS RECEIVABLE

Accounts receivable at November 30, 1995 and 1994 was made up of the following:

	<u>1995</u>	<u>1994</u>
Customer accounts receivable:		
Billed	\$ 183,740	\$ 153,543
Unbilled	86,073	62,719
Receivable from other water systems	22,930	33,855
Miscellaneous receivables	273	270
Receivable from Parish	<u>-0-</u>	<u>7,186</u>
Total	293,016	257,573
Less allowance for doubtful accounts	<u>(2,977)</u>	<u>(2,977)</u>
Net	\$ <u>290,039</u>	\$ <u>254,596</u>

West Baton Rouge Parish Public Utility  
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

**NOTE 11. OTHER INCOME**

Other income as of November 30, 1995 and 1994 was composed of the following:

	<u>1995</u>	<u>1994</u>
Service charges	\$ 4,610	\$ 4,965
Sewer fees	75,435	47,317
Charges to other systems	36,095	34,794
Garbage billing fees	3,536	3,401
Miscellaneous income	<u>2,759</u>	<u>3,709</u>
 Total	 \$ <u>122,435</u>	 \$ <u>94,186</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 300 hours of unused vacation.

As of November 30, 1995 and 1994, employees of the Utility had accumulated and vested \$45,111 and \$37,499, 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

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

NOTE 13. CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The following current liabilities were payable from restricted assets as of November 30, 1995 and 1994:

	<u>1995</u>	<u>1994</u>
Revenue bonds payable (See Note 6)	\$ 80,000	\$ 75,000
Accrued interest	13,300	15,050
Customers' deposits	175,483	168,190
Contracts payable	<u>-0-</u>	<u>144</u>
Total	\$ <u>268,783</u>	\$ <u>258,384</u>

NOTE 14. GRANTS AND CONTRIBUTED CAPITAL

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, 1995.

NOTE 15. 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 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, two retirees meet those eligibility requirements. The Utility pays for 60 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, 1995 and 1994, those costs totaled \$4,904 and \$4,852, respectively.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

NOTE 15. POST-EMPLOYMENT HEALTH CARE BENEFITS - (Cont'd)

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, 1995 and 1994.

NOTE 16. DEFEASED DEBT

During the year ended November 30, 1992, pursuant to Chapter 14 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, the Utility elected to defease the Utilities Revenue Bonds dated December 1, 1964 that were outstanding as of July 25, 1992. The aggregate principal outstanding at July 25, 1992 was \$95,000. The Utility deposited \$88,747 with First National Bank of Commerce, New Orleans, Louisiana (the Escrow Agent), to be applied exclusively to purchase government obligations for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Public Utility's financial statements.

These bonds were defeased to allow the Public Utility to issue new bond indebtedness to finance new construction of gas and water system extensions. No proceeds from the new bond issue were used to defease the old bonds.

As of November 30, 1995 and 1994, the defeased debt outstanding had a balance of \$-0- and \$25,000 respectively.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 1995 and 1994

**NOTE 17. RELATED PARTY TRANSACTIONS**

In addition to the transactions discussed in Notes 8 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 \$10,228 and \$16,414 for costs paid by the Utility during the years ended November 30, 1995 and 1994 respectively. The other system owed the Utility \$6,413 at November 30, 1995 and \$16,972 at November 30, 1994.

The other system billed the Utility for \$5,724 and \$3,993 for costs it paid during the years ended November 30, 1995 and 1994 respectively. The Utility owed the other system \$7,744 at November 30, 1995 and \$6,013 at November 30, 1994.

**NOTE 18. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS**

Water sales to Placid Refining Company accounted for 46.6% of water sales for the year ended November 30, 1995 and 46.4% for the year ended November 30, 1994. The receivable from Placid was approximately 6.96% of total accounts receivable at November 30, 1995 and 6.88% of total accounts receivable at November 30, 1994.

Gas sales to a customer in the highway construction business accounted for 11.17% of gas sales for the year ended November 30, 1995 and 8.4% for the year ended November 30, 1994. The receivable from this customer was approximately 10.03% of total accounts receivable at November 30, 1995 and 7.89% of the accounts receivable balance at November 30, 1994.

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, 1995 and 1994

On November 30, 1995, the natural gas system was serving 3,147 customers as compared to 3,036 on November 30, 1994. The number of customers billed during the current period and other customer data are presented below:

Gas Sales	\$ 1,428,002
MCF's of gas sold	301,528
Total number of customers' billings	37,247
Average number of customers billed per month	3,104
Average monthly revenue per customer	\$ 38.34
Average revenue per MCF billed	\$ 4.74

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED) - (Cont'd)

November 30, 1995 and 1994

An analysis of gas sales and purchases for the year ended November 30, 1995 is as follows:

	<u>Amount</u>	<u>MCF</u>
Gas sales	\$ 1,428,002	301,528
Gas loss accounted for		2,206
Less gas purchases	<u>533,131</u>	<u>307,070</u>
Gross Profit on Gas Sales	\$ <u>894,871</u>	
MCF Loss Unaccounted for on sales		<u>(3,336)</u>
Percent of Gain	<u>1.1%</u>	

The water division of the West Baton Rouge Parish Public Utility was serving 937 customers at November 30, 1995.

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

	<u>Placid</u>	<u>Others</u>
Water sales	\$ 204,615	\$ 251,766
M gallons of water sold	483,082	219,389
Total number of customers' billings	12	11,000
Average number of customers billed per month	1	917
Average monthly revenue per customer	\$ 17,051	\$ 22.89
Average revenue per M gallons	\$ .42	\$ 1.15

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

SCHEDULE OF CHANGES IN UTILITY PLANT AND EQUIPMENT

For the year ended November 30, 1995 and 1994

	Cost November 30, <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	Cost November 30, <u>1995</u>
Gas distribution system	\$2,212,781	\$ 49,973	\$ -0-	\$2,262,754
Water distribution system	4,805,258	382,344	-0-	5,187,602
Sewer System	-0-	705,870	-0-	705,870
Utility and sewer equipment	303,211	13,742	-0-	316,953
Office equipment	99,086	15,066	-0-	114,152
Vehicles	197,614	34,069	-0-	231,683
Buildings	107,193	-0-	-0-	107,193
Land	41,978	-0-	-0-	41,978
Construction in progress	<u>196,363</u>	<u>-0-</u>	<u>(196,363)</u>	<u>-0-</u>
Totals	<u>\$7,963,484</u>	<u>\$1,201,064</u>	<u>\$(196,363)</u>	<u>\$8,968,185</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

INSURANCE COVERAGE (UNAUDITED)

November 30, 1995

Insurance and fidelity bond coverage on November 30, 1995 were as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
February 1, 1996	Commercial Union Insurance (Automobile Insurance) Property damage	Bodily injury liability-\$500,000; Comprehensive, \$250 deductible; Uninsured motorists \$100,000; Collision \$250 deductible.
January 1, 1996	Parish Government Risk Management Agency (Workmen's Compensation)	Statutory rates, \$100,000 maximum.
March 29, 1996	Ranger Insurance Co. (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; Fire damage, \$50,000 any one fire; Medical expense, \$5,000 any one person.
February 17, 1996	Western Surety Co.	Public Official's Bond (Ronald K. Treuil) \$100,000.
March 20, 1996	Western Surety Co.	Position surety bond on the following: Office manager, three secretaries, meter readers; \$5,000 each.
October 6, 1996	Commercial Union Insurance Company	Water tower coverage, \$415,700, \$5,000 deductible, 90% coinsurance.



**CALVIN L. ROBBINS, JR.**

CERTIFIED PUBLIC ACCOUNTANT  
(A PROFESSIONAL CORPORATION)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT AUDIT CONDUCTED 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 year ended November 30, 1995, and have issued my report thereon dated May 17, 1996.

I have conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Management of the Utility is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council, for the year ended November 30, 1995, I obtained an understanding of the Utility's internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in

operation, and I assessed control risk in order to determine auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 condition was considered in determining the nature, timing, and extent of audit tests to be applied in my audit of the November 30, 1995 combined financial statements and this report does not affect my report on those financial statements dated May 17, 1996.

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.

May 17, 1996

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. 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  
(A Professional Corporation)

May 17, 1996  
Baton Rouge, Louisiana