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GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH
REPORT ON AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994
ZACHARY, LOUISIANA

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Release Date 9-4-96

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May 10, 1996

To the Board of Commissioners
Gas Utility District No. 1 of
East Baton Rouge Parish
10633 Zachary - Deerford Road
Zachary, LA 70791

Board Members:

In connection with my recent examination of the component unit financial statements of the Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, for the year ended December 31, 1995, I reviewed various internal accounting policies and procedures. Since my review of the District's internal control was taken as a whole, it would not necessarily disclose all weaknesses in the District which may exist.

The following comments and observations related to the District's accounting, business and financial practices came to my attention during the course of my review.

PRIOR YEAR'S COMMENTS
NONE

CURRENT YEAR'S COMMENTS

Monthly Financial Statements

The board members are presented with a balance sheet at their board meetings and a verbal report on the status of all the district activities.

Even though the board meets bi-monthly, the members do not have available a statement of revenue and expenses and a budget comparison. This situation keeps the board uniformed on the budget status and impedes appropriate action on financial matters.

Recommendation

The computerized accounting system now in placed should be used effectively with the goal of providing the board members with the operating results and budget comparison on a monthly basis. The accounting software provides the board with financial statements on an accrual basis that can facilitate addressing the areas of budget variance. Any changes made on the budget should be as a result of board action and these should be reflected in the minutes.

Financial statements and accounting records- The accounting records should be maintained timely and financial statements should be prepared including budget comparisons and explanations provided for the variance from budget.

Accounting Procedures

Reconciliation of the accounts receivable billing cycles with the general ledger on a monthly basis is none existent.

Recommendation

Account procedures- Accounting procedures should be well defined, preferably in writing, indicating the person responsible for the different phases of accounting procedures, including disbursements of funds, deposits of funds, billing, posting of receipts, etc.

Bank reconciliations-Bank reconciliations should be prepared by a person not involved with the disbursements or deposits and these should be prepared timely and compared to the general ledger balance.

Accounts receivable reconciliations-Monthly reconciliations should be prepared for each cycle, accounting for deposits and adjustments through the end of the month and reconciled to the general ledger.

Meter deposit reconciliation-The monthly procedure is similar to the accounts receivable.

All monthly reconciliations should be reviewed and approved by the office manager.

Employee manual and or written procedures-all benefits provided employees, including their general responsibilities, holidays, sick time and vacation should be in writing and provided to the employees.

Once placed in writing, the board should approve them. On an annual basis, this procedure will allow the board to review these benefits and approve the amount to be budgeted annually.

Purchasing Procedures and Disposal of Assets

As indicated in your completed questionnaire, some purchases and some assets have been disposed not in compliance with state law.

Recommendation

Purchasing procedures-Should comply with state law and regulations. Where applicable, documentation should be maintained indicating compliance with the provisions of LSA-RS Title 38:2212 were followed. If there is a proper reason for not being in compliance, this should be noted and approved by the board prior to

the acquisition of these assets.

Fixed Asset procedures- Procedures should be established to protect all assets owned by the district. A system should be followed to easily identify those assets belonging to the district. Any disposal of assets should have proper approval and follow state laws and regulations for their disposal.

Budget

State law requires that a budget be prepared, presented to the board and approved in a public meeting. The budget is a very essential tool that can assist the board in its many decisions.

Recommendation

Budget- The budget should be prepared and workpapers showing the process used to prepare the budget should be maintained. All asset purchases for the year should be detailed on the budget as to the amount budgeted to be spent. Amendments to the budget should be approved by the Board and recorded in the minutes with an explanation for the variance.

The board with the coordination of the two managers should plan to start budget work in time to comply with the state law requirements.

Items that should be included in the budget are:

Any acquisition of fixed assets by the district should be in the approved budget, including the amount to be spent on same and the legal procedures for their procurement should be followed.

Planned repairs to the gas system should be budgeted and an amount should be budgeted annually for emergency repairs.

Line extensions should be budgeted. A cost breakdown should be prepared and included in the budget for each line extension and the project should be identified.

As costs are incurred for each project, these expenditures should be included in the monthly financial statement to the board with a comparison to budget.

Excess Funds

The district is starting to accumulate funds in the non interest bearing accounts.

Recommendation: The board should review their cash flow needs and consider investing the excess funds in accordance with the guide in the LALG guide.

Board Manual

With the ever changing state regulations and new board members being appointed to the district's board, staying abreast of all the rules and regulations can be difficult and in some cases, inadvertent conflict of interests can occur on board decisions.

Recommendation

The Board should consider the compilation of a "Board Manual." The contents of this manual should included the following:

A. Excerpts of the publication " Laws Affecting Louisiana Government, issued by the Society of Louisiana CPAs and the Louisiana Legislative auditor.

B. The publication " Louisiana Governmental Audit Guide", issued by the Society of Louisiana CPAs and the Louisiana Legislative auditor.

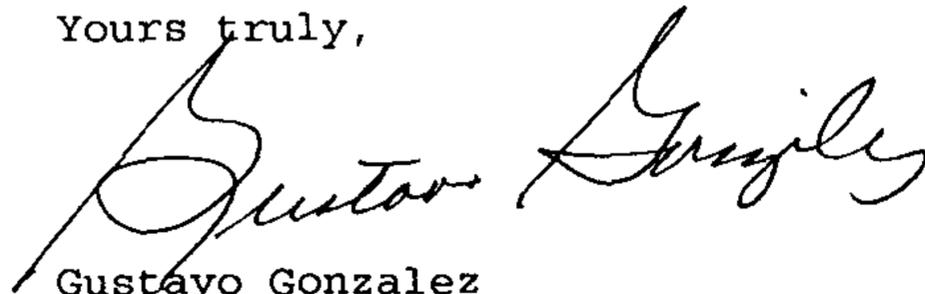
C. The revised budget for the current year.

D. Current policies and procedures affecting the district's operations and personnel.

E. Any other pertinent matter that may assist the board members in the exercise of their duties and discussions.

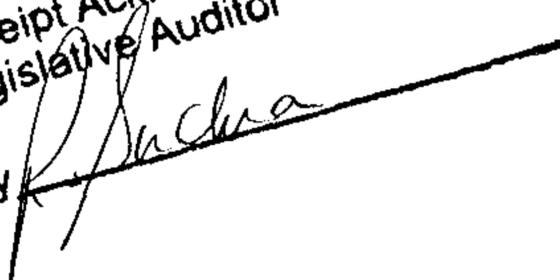
Since my annual audit is not designed to provide an in depth review of all systems and procedures, this letter should not be considered to be all inclusive of the areas where improvements might be achieved. I shall be pleased to discuss these matters further, upon your request.

Yours truly,



Gustavo Gonzalez
Certified Public Accountant

Receipt Acknowledged
Legislative Auditor

By 

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INDEPENDENT AUDITOR'S REPORT

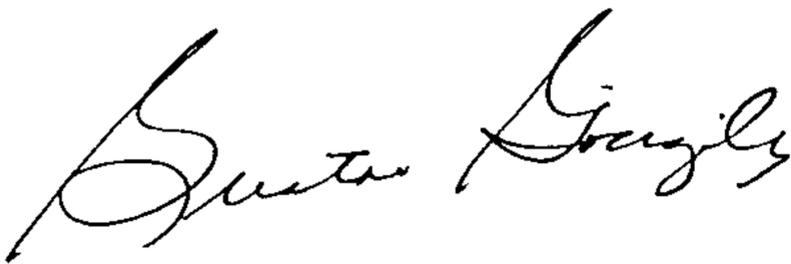
Board of Commissioners
Gas Utility District No. 1
of East Baton Rouge Parish
10633 Zachary - Deerford Road
Zachary, Louisiana 70791

I have audited the accompanying financial statements of the Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, a component unit of the East Baton Rouge Parish government, as of December 31, 1995 and 1994 and for the years then ended. These financial statements are the responsibility of the District's management. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the component unit 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.

In my opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, at December 31, 1995 and 1994, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information on pages 11 through 16 are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana. Such information except for that portion marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in my opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Baton Rouge, Louisiana
January 23, 1966

EXHIBIT A

LIABILITIES AND FUND EQUITY

	<u>1995</u>	<u>1994</u>
Current liabilities - payable from current assets		
Accounts payable	\$ 65,143	\$ 50,480
Insurance, payroll and sales taxes	5,633	5,035
Accumulated unpaid vacation and sick leave	<u>164,699</u>	<u>169,340</u>
Total current liabilities payable from current assets	235,475	224,855
Current liabilities - payable from restricted assets		
Unclaimed Bonds	7,182	
Customer meter deposits	<u>57,995</u>	<u>56,484</u>
Total current liabilities	300,652	281,339
Long Term Liabilities	<u>43,912</u>	<u>29,986</u>
Fund Equity		
Contributed assets	6,000	6,000
Retained earnings - unreserved	<u>1,037,739</u>	<u>934,435</u>
Total Fund Equity	<u>1,043,739</u>	<u>940,435</u>
Total liabilities and fund equity	<u>\$ 1,388,303</u>	<u>\$ 1,251,760</u>

EXHIBIT B

Gas Utility District No. 1 of East Baton Rouge Parish

STATEMENTS OF REVENUES, EXPENSES, AND
AND CHANGES IN RETAINED EARNINGS

For the years ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Revenue		
Gas sales	\$ 1,181,419	\$ 1,162,642
Late penalties	16,231	17,190
Service charges	22,510	15,640
Customer assistance sales, net	(472)	1,634
Transportation Fee	<u>25,542</u>	<u>-0-</u>
Total operating revenues	1,245,230	1,197,106
Operating expenses - Schedule	<u>1,144,217</u>	<u>1,216,868</u>
Operating income (loss)	101,013	(19,762)
Nonoperating income		
Interest income	6,848	5,610
Other income	4,913	6,698
Gain on sale of equipment	<u>(9,470)</u>	<u>2,362</u>
Total nonoperating income	<u>2,291</u>	<u>14,670</u>
Net income, (loss)	103,304	(5,092)
Retained earnings, beginning	934,435	941,985
Prior period adjustment	<u>-0-</u>	<u>2,458</u>
Retained earnings, ending	<u>\$ 1,037,739</u>	<u>\$ 934,435</u>

The accompanying notes are an integral part of these statements.

EXHIBIT C

Gas Utility District No. 1 of East Baton Rouge Parish
STATEMENTS OF CASH FLOWS

For the years ended December 31, 1995 and 1994

	1995	1994
Cash Flows From Operating Activities		
Operating income, (loss)	\$ 101,013	\$ (19,762)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Provision for bad debts	2,472	2,194
Depreciation	109,206	113,056
Changes in assets and liabilities:		
Decrease, (increase) in accounts receivable	(27,330)	21,539
Decrease, (increase) in unbilled accounts receivable	(22,581)	16,999
Decrease, (increase) in inventory	(267)	426
Decrease, (increase) in prepaid insurance	(814)	3,413
Increase, (decrease) in accounts payable	14,663	(100,764)
Increase, (decrease) in payroll taxes, insurance, and sales taxes	597	(8,195)
Increase, (decrease) in restricted liabilities	8,696	(401)
Increase, (decrease) in unpaid vacation	(4,641)	11,867
Total adjustments	80,001	60,134
Net Cash Provided By Operating Activities	181,014	40,372
Cash Flows From Capital and Related Financing Activities:		
Proceeds from sale of equipment	(9,470)	2,362
Loan Proceeds, net	13,926	29,986
Other	4,913	6,698
Net Cash From Capital and Related Financing Activities	9,369	39,046
Cash Flows From Investing Activities:		
Purchase of plant and equipment	(73,463)	(125,408)
Interest on investments	6,848	5,610
Net cash used by investing activities	(66,615)	(119,798)
Net Decrease in Cash	123,768	(40,380)
Cash - Beginning of Year	170,426	210,806
Cash - End of Year -Note 6	\$ 294,194	\$ 170,426

The accompanying notes are an integral part of these statements.

Gas Utility District No. 1 of East Baton Rouge Parish
NOTES TO FINANCIAL STATEMENTS
December 31, 1995 and 1994

Note 1. Summary of Significant Accounting Policies

The Gas Utility District No. 1 of East Baton Rouge Parish (hereinafter referred to as the "District") is a political subdivision of the State of Louisiana. The District was created by the East Baton Rouge Parish government on November 8, 1961, under the provision of Art. R.S. 4301, and operates under a Board of Commissioners form of government.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to governments. Such accounting and reporting procedures also conform to the requirement of Louisiana R.S. 24:513 and to the guides set forth in the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Gas District's Board of Commissioners. Control by or dependence on the Board was determined on the basis of budget adoption, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the Gas Utility District No. 1 of East Baton Rouge Parish is a component unit of the East Baton Rouge government. The accompanying financial statements only present financial information of this component unit of the East Baton Rouge Parish Government and no other organization.

Fund Accounting

The Gas District has only one fund to which all accounts are organized and accounted for as a single entity. This fund is operated as an Enterprise Fund.

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

Gas Utility District No. 1 of East Baton Rouge Parish
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 1995 and 1994

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 that 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.

Deposit Funds

All bank accounts utilized by the District are held in institutions insured by the Federal Deposit Insurance Corporation (FDIC) and/or the National Credit Union Administration (NCUA). All bank account balances are fully insured.

Inventory

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

Fixed Assets and Long Term Liabilities

The enterprise fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities associated with their activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by enterprise fund is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Plant and equipment:		
Building		25 years
Furniture and fixtures	3 -	10 years
Equipment	3 -	5 years
Gas systems	24 -	40 years

All fixed assets are stated at cost. Contributed assets are depreciated at the rate of \$200 per year.

Gas Utility District No. 1 of East Baton Rouge Parish
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 1995 and 1996

Basis of Accounting

Assets, liabilities, retained earnings, revenue, and expenditures are recognized on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Bad Debts

Uncollectible accounts due for customers receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Unbilled Accounts Receivable

The District has its customer routes divided into 4 billing cycles. Under this procedure, meters are read and billed based on their billing cycle. Certain customers would accrue a receivable based on the period that is unbilled.

Prior Year Balances

Certain prior year amounts have been reclassified to conform with current year presentation.

Accumulated Vacation and Sick Leave

With some restrictions, employees are allowed to accumulate vacation and unused sick leave. The district's liability at December 31, 1995 and 1994 was \$164,699 and \$169,340 respectively.

Note 2. Cash

For the purpose of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. Cash at December 31, 1995 and 1994 is as follows:

	<u>1995</u>	<u>1994</u>
Cash included in current assets	\$ 235,229	\$ 113,902
Restricted cash	<u>58,965</u>	<u>56,524</u>
Total Cash	<u>\$ 294,194</u>	<u>\$ 170,426</u>

Gas Utility District No. 1 of East Baton Rouge Parish
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 1995 and 1994

Note 3. Plant and Equipment

A summary of plant and equipment, stated at cost, at December 31, 1995, and 1994 is as follows:

	1995	1994
Building	\$ 357,178	\$ 357,178
Furniture and fixtures	51,528	39,153
Equipment	149,798	149,335
Gas system	1,513,032	1,473,496
Automotive	81,936	77,734
Contributed assets	6,000	6,000
Totals	2,159,472	2,102,896
Less accumulated depreciation	1,315,816	1,221,023
Plant and Equipment, net	\$ 843,656	\$ 881,873

Note 4. Note Payable Bank of Zachary

On August 28, 1995, the district acquired 2 new trucks. The Board of Commissioners approved financing these trucks with a second loan from the Bank of Zachary. The District borrowed \$34,835, payable in installments.

Subsequent Event - In March 1996, the Board approved complete payment of both bank loans to acquire the trucks.

Gas Utility District No. 1 of East Baton Rouge Parish
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 1995 and 1994

Note 5. Pension Fund for Employees

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

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

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

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

The contributions for the years ended December 31, 1995 and 1994 were \$31,216 and \$32,956 respectively.

Note 6 Bond Redemption Fund

In January, the bond paying agent refunded \$8,263 to the district. This is the balance left in the bond paying account and consists of matured bonds that have not been presented for redemption by the bond holders. The board established a restricted bank account with these monies for the purpose of funding the bonds when presented. During the year one bond of \$1,000 plus interest due of \$80 was redeemed.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

Gas Utility District No. 1 of East Baton Rouge Parish

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Bad debts	\$ 2,472	\$ 2,194
Bank charges	160	416
Cash over/short	(35)	(19)
Damage expenses	-0-	615
Depreciation	109,206	113,056
Dues	1,610	1,585
Employee benefits	78,666	72,896
Employee training	520	890
Entertainment	646	414
Gas and oil	12,359	11,974
Gas purchases	280,901	351,467
Gas authority fee	12,069	11,373
Insurance	76,512	85,179
Interest	2,389	1,034
Janitorial and trash removal	1,668	1,755
Legal and professional	27,427	20,546
Miscellaneous expense	78	170
Office expense	11,289	8,673
Office postage	10,267	8,853
Payroll taxes	28,833	28,131
Pension expense	37,453	31,216
Per diem	12,750	12,675
Rental of equipment	274	537
Repairs and maintenance	29,982	33,128
Salaries	371,997	379,276
Security	1,044	795
Seminars and conventions	220	-0-
Supplies	6,468	11,048
Taxes and licenses	2,618	2,892
Tax penalties and interest	-0-	325
Telephone expense	10,479	10,707
Tools	5,123	4,144
Travel	-0-	698
Utilities	8,772	8,225
Total operating expenses	<u>\$ 1,144,217</u>	<u>\$ 1,216,868</u>

See notes to financial statements.

SCHEDULE 2

Gas Utility District No. 1 of East Baton Rouge Parish

SCHEDULES OF PER DIEM PAID FOR BOARD MEETINGS

For the Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Sebastian M. Laurent	\$ -0-	\$ 750
Ralph Gilpin	1,875	1,875
Mack White	1,800	1,875
Janelle O'Neal	1,575	1,650
Rhonda Boatner	1,875	1,875
Randall Croft	1,875	1,725
Thomas Smith	-0-	225
Frank Parker	1,875	1,875
Roy Davis, Jr	<u>1,875</u>	<u>825</u>
Total Per Diem	<u>\$ 12,750</u>	<u>\$ 12,675</u>

See notes to financial statements.

SCHEDULE 3

Gas Utility District No. 1 of East Baton Rouge Parish

SCHEDULE OF INSURANCE IN FORCE

December 31, 1995

Unaudited

<u>Expiration Date</u>	<u>Insurer - Coverage - Amount</u>
July 16, 1996	Aetna Casualty and Surety Company Workmen's Compensation Each Accident \$ 100,000 Policy Limit 500,000 Each Employee 100,000
February 1, 1996	Trinity Universal Fire, Lighting and Extended Coverage 80% Co-Insurance Bldg 100 Milldale \$ 23,500 Bldg 100 B Milldale 15,000 Contents 10,000 Bldg 100 R Milldale 11,500 New Building 280,000 Contents 50,000
November 18, 1996	Western Surety Company Public Employees Blanket Bond \$ 25,000
August 18, 1996	Trinity Universal Money Purchase Plan bond covering the three (3) members of the retirement committee. Total \$ 26,000
February 1, 1996	Titan Insurance Company Auto liability: Uninsured motorists \$ 500,000 Combined single limit \$1,000,000
February 1, 1996	Titan Insurance Company Comprehensive General Liability Bodily injury and property damage Amount \$1,000,000

SCHEDULE 4

Gas Utility District No. 1 of East Baton Rouge Parish

STATISTICAL DATA

December 31, 1995
Unaudited

Schedule of MCF Purchases, Sales and Other Customer Data

	<u>MCF</u>	<u>Amount</u>
Gas sales	157,068	\$1,181,419
Gas purchases	155,499	280,901
Gas losses (1.03)%	1,569	
		<u>Qty.</u>
Total customers billed		35,280
Total customers per year		35,292
Average customers per month		2,950
Average sales per customer per year	54.49	\$ 405
Average sales per customer per month	4.54	\$ 33
Total Customers at December 31, 1995		3,039

Schedule of Residential Billing Rates (per MCF)

Rates in Effect at		
<u>MCF per month</u>	<u>12-31-95</u>	<u>12-31-94</u>
First 1,000	\$ 10.00	\$ 10.00
Over 1,000	\$ 6.60	\$ 6.60

Schedule of Commercial Billing Rates (per MCF)

Rates in Effect at		
<u>MCF per month</u>	<u>12-31-95</u>	<u>12-31-94</u>
First 1,000	\$ 15.00	\$ 15.00
Over 1,000	\$ 6.60	\$ 6.60

SCHEDULE 5

Gas Utility District No. 1 of East Baton Rouge Parish
SCHEDULES OF REVENUES AND EXPENSES
BUDGET AND ACTUAL

December 31, 1995 and 1994

	Unaudited			
	Budget	1995 Actual	Variance	1994 Actual
Gas sales	\$1,225,000	\$1,181,419	(43,581)	\$1,162,642
Late penalties	19,000	16,231	(2,769)	17,190
Service charges	12,000	22,510	10,510	15,640
C. A. P., net	15,000	(472)	(15,472)	(1,634)
Transportation Fee	-0-	25,542	25,542	-0-
Total operating	1,271,000	1,245,230	(25,770)	1,197,106
Operating expenses				
Bad debts	1,800	2,472	672	2,194
Bank charges	500	160	(340)	416
Cash over/short	-0-	(35)	(35)	(19)
Damage expense	1,000	-0-	(1,000)	615
Depreciation	82,000	109,206	27,206	113,056
Director's expense	100	-0-	(100)	-0-
Dues	1,000	1,610	610	1,585
Employee benefits	70,000	78,666	8,666	72,896
Employee training	1,000	520	(480)	890
Entertainment	1,000	646	(354)	414
Gas and oil	18,000	12,359	(5,641)	11,974
Gas Purchases	425,000	280,901	(144,099)	351,467
Gas authority fee	11,000	12,069	1,069	11,373
Insurance	58,000	76,512	18,512	85,179
Interest	-0-	2,389	2,389	1,034
Janitorial & trash	1,700	1,668	(32)	1,755
Legal professional	14,000	27,427	13,427	20,546
Miscellaneous expense	500	78	(422)	170
Office expense	12,500	11,289	(1,211)	8,673
Office postage	-0-	10,267	10,267	8,853
Payroll taxes	36,000	28,833	(7,167)	28,131
Per diem	13,200	12,750	(450)	12,675
Pension expense	31,000	37,453	6,453	31,216
Rental of equipment	1,500	274	(1,226)	537
Rep./maint	26,500	29,982	3,482	33,129
Salaries	360,000	371,997	11,997	379,276
Security	-0-	1,044	1,044	795
Seminars, conventions	2,000	220	(1,780)	-0-

See notes to financial statements.

SCHEDULE 5

Gas Utilitiy District No.1 of East Baton Rouge Parish
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL CONTINUED
 December 31, 1995 and 1994

Unaudited

	<u>Budget</u>	<u>1995 Actual</u>	<u>Variance</u>	<u>1994 Actual</u>
Supplies	12,000	6,468	(5,532)	11,048
Taxes and Licenses	4,000	2,618	(1,382)	2,892
Tax penalties	-0-	-0-	-0-	325
Telephone expense	10,200	10,479	2,123	4,144
Tools	3,000	5,123	2,123	4,144
Travel	3,000	-0-	(3,000)	698
Uiltities	<u>9,000</u>	<u>8,772</u>	<u>(228)</u>	<u>8,225</u>
Total operating expense	<u>\$1,210,500</u>	<u>\$1,144,217</u>	<u>\$ 66,283</u>	<u>\$1,216,868</u>
Operating income, (loss)	<u>\$ 60,500</u>	<u>101,013</u>	<u>40,513</u>	<u>(19,762)</u>
Other income				
Loss on Disposal of fixed assets	-0-	(9,470)	(9,470)	2,362
Interest income	5,000	6,848	1,848	5,610
Other income	<u>1,200</u>	<u>4,913</u>	<u>3,713</u>	<u>9,060</u>
Total non-operating income	<u>6,200</u>	<u>2,291</u>	<u>(3,909)</u>	<u>14,670</u>
Net income, (loss)	<u>\$ 66,700</u>	<u>\$ 103,304</u>	<u>\$ 36,604</u>	<u>\$ (5,092)</u>
	=====	=====	=====	=====

See notes to financial statements

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL STRUCTURE RELATED MATTERS NOTED
IN A COMPONENT UNIT FINANCIAL STATEMENT
AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

GUSTAVO GONZALEZ
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Telephone
800-487-3272

member
American Institute of CPA's

May 10, 1996

Board of Commissioners,
Gas Utility District No. 1 of
East Baton Rouge Parish
10633 Zachary-Deerford Road
Zachary, La 70791

I have audited the component unit financial statements of Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, as of and for the year ended December 31, 1994, and have issued my report thereon dated January 23, 1996.

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.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management 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,

Board of Commissioners,
Gas Utility District No. 1 of
East Baton Rouge Parish
May 10, 1996
Page 2

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 Gas Utility District No. 1 of East Baton Rouge Parish for the year ended December 31, 1995 I obtained an understanding of the 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 our auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide opinion on the internal control structure. Accordingly I do not express such an opinion.

Board of Commissioners,
Gas Utility District No. 1 of
East Baton Rouge Parish
May 10, 1996
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I noted certain matters involving the internal control structure and its operation that I consider 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 our judgment, 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.

The budget is prepared in accordance with LSA-RS 39:1301, but it is not used as a management tool, which is its purpose. The financial statement presented at the semimonthly board meetings consists of a basic balance sheet. I feel that if a monthly interim statement which would include a budget comparison would be a very good tool towards controlling costs and anticipating revenues.

A material weakness is a reportable condition in which the design or operation of one or more 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 structure would not necessarily disclose all matters in the internal control structure

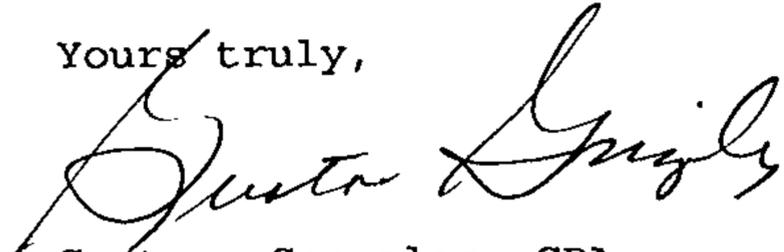
Board of Commissioners,
Gas Utility District No. 1 of
East Baton Rouge Parish
May 10, 1996
Page 4

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 none of the reportable conditions described above is a material weakness.

I noted other matters involving the internal control structure and its operations that I have reported to the management of Gas Utility District No. 1 of East Baton Rouge Parish, in a separate letter dated May 10, 1996.

This report is intended for the information of management, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Yours truly,



Gustavo Gonzalez, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT
OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS ISSUED BY THE GAO**

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American Institute of CPA's

May 10, 1996

Board of Commissioners,
Gas Utility District No. 1 of
East Baton Rouge Parish
10633 Zachary-Deerford Road
Zachary, La 70791

I have audited the component unit financial statements of Gas Utility District No. 1 of East Baton Rouge Parish, Zachary, La., as of and for the years ended December 31, 1995 and 1994, and have issued my report hereon dated January 23, 1996.

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.

Compliance with laws, regulations, and contracts applicable to Gas Utility District No. 1 of East Baton Rouge Parish, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Gas Utility District No. 1 of East Baton Rouge Parish's compliance with certain provisions of laws, regulations, and contracts. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions.

Board of Commissioners,
Gas Utility District No. 1 of
East Baton Rouge Parish
May 10, 1996
Page 2

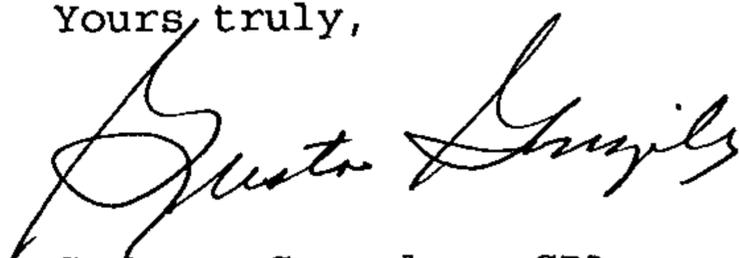
Accordingly, I do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

I noted certain immaterial instances of noncompliance that I have reported to the management of Gas Utility District No. 1 of East Baton Rouge Parish in a separate letter dated May 10, 1996.

This report is intended for the information of management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

A handwritten signature in cursive script that reads "Gustavo Gonzalez".

Gustavo Gonzalez, CPA