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

June 30, 2005

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 11/9/05

**GERALD A. WALKER**  
Certified Public Accountant  
A Professional Corporation

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# GERALD A. WALKER, CPA

A Professional Corporation

Member  
American Institute  
of CPA's  
Society of Louisiana  
CPA's  
Institute of  
Management  
Accountants

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, a related organization of the East Baton Rouge Parish Government, as of and for the six months ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Gas Utility District No. 1's management. 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 misstatements. 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.

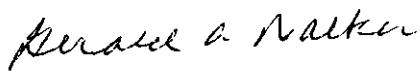
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District No. 1 of East Baton Rouge Parish as of June 30, 2005 and the results of its operations and cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT  
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Management's discussion and analysis on pages 3 - 4 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 25, 2005, on my consideration of Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting and 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 performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule 1 listed in the table of contents as supplementary information is presented for purposes of additional analysis as required by the Louisiana Governmental Audit Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Gerald A. Walker, CPA  
October 25, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Gas Utility District # 1 of East Baton Rouge Parish presents narrative overview and analysis of the District's financial activities for the six months ended June 30, 2005. This document focuses on the current six month's activities, resulting changes and currently known fact in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- At the October, 2004 board meeting, the District implemented changes in gas rates to offset rising gas prices. These changes were effective January 1, 2005.
- The revenues of the District exceeded its expenses as of June 30, 2005 by \$296,937. The increase in our profit is directly related to the increased adjusted gas rate effective January 1, 2005.
- At June 30, 2005, the District's assets totaled \$1,272,487.87.
- The District reported gas sales of \$1,298,111.56 during the six months ended June 30, 2005.
- The District's Meter Deposit had an increase in the six months ended June 30, 2005, due to an increase in the charge for meter deposits.
- The District's Gas System has stayed overall the same due to no major capital additions.
- All of the above has been implemented upon approval by the Board of Commissioners of Gas Utility District #1 of East Baton Rouge Parish.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Overview of the Financial Statements**

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years.

**Condensed Statements of Retained Earnings**

	June 30, 2005	December 31, 2004
Total Assets	<u>\$ 1,272,488.</u>	<u>\$ 1,174,967.</u>
Total Liabilities	<u>452,569.</u>	<u>655,720.</u>
Retained Earnings	<u>\$ 819,919.</u>	<u>\$ 519,247.</u>

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
BALANCE SHEET  
ENTERPRISE FUND  
JUNE 30, 2005

ASSETS	<u>2005</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 173,378
Investments	310,876
Billed accounts receivable	29,933
Less allowance for uncollectible	( 6,870)
Unbilled accounts receivable	64,804
Inventory	0
Prepaid insurance	<u>60,701</u>
<b>TOTAL CURRENT ASSETS</b>	<u>632,822</u>
<b>RESTRICTED ASSETS</b>	
Cash - Bond redemption fund	6,197
Cash - Customer meter deposit	<u>107,779</u>
<b>TOTAL RESTRICTED ASSETS</b>	<u>113,976</u>
<b>NONCURRENT ASSETS</b>	
<b>Capital Assets</b>	
Land	22,900
Buildings	357,178
Machinery and equipment	318,055
Furniture and fixtures	32,793
Vehicles	99,030
Gas system	1,742,905
Contributed assets	6,000
Billing Software	1,075
Less accumulated depreciation	( 2,054,316)
Deposits	<u>70</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>525,690</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,272,488</u>

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
BALANCE SHEET  
ENTERPRISE FUND  
JUNE 30, 2005

LIABILITIES AND FUND EQUITY	<u>2005</u>
CURRENT LIABILITIES	
Accounts payable	\$ 45,142
Insurance, payroll and sales taxes	663
Current portion, compensated absences	<u>57,324</u>
TOTAL CURRENT LIABILITIES	<u>103,129</u>
NONCURRENT LIABILITIES	
Unclaimed bonds	5,023
Customer meter deposits	96,490
Compensated absences	<u>251,661</u>
TOTAL NONCURRENT LIABILITIES	<u>353,174</u>
TOTAL LIABILITIES	<u>456,303</u>
FUND EQUITY	
Contributed capital	6,000
Retained earnings -	
Reserved - Bond redemption	5,023
Reserved - Customer deposits	107,779
Unreserved	<u>697,383</u>
Total - retained earnings	<u>810,185</u>
TOTAL FUND EQUITY	<u>816,185</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,272,488</u>

See accompanying notes



GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 RETAINED EARNINGS  
 ENTERPRISE FUND  
 FOR THE SIX MONTHS ENDED JUNE 30, 2005

	<u>2005</u>
OPERATING REVENUES	
Gas sales	\$ 1,298,112
Service charges	19,094
Other income	<u>53</u>
TOTAL OPERATING REVENUES	<u>1,317,259</u>
OPERATING EXPENSES	
One call concept	1,127
Bank charges	439
Depreciation expense	26,944
Dues	2,025
Employee benefits	30,253
Employee retirement	18,536
Employee training and seminars	3,784
Freight	134
Fuel	9,941
Gas purchases	523,435
Gas purchases fee	6,031
Insurance	52,189
Janitorial and trash	1,983
Legal and professional	21,610
Miscellaneous	185
Office expense	2,117
Postage	6,066
Payroll	195,927
Compensated absences	50,008
Payroll taxes	18,814
Rental of equipment	567
Repairs and maintenance	29,479
Capital additions	-0-

Continued

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 RETAINED EARNINGS (continued)  
 ENTERPRISE FUND  
 FOR THE SIX MONTHS ENDED JUNE 30, 2005

	<u>2005</u>
Drug testing	594
Small tools	3,840
Supplies	6,165
Taxes and licenses	350
Telephone	6,185
Utilities	<u>5,125</u>
TOTAL OPERATING EXPENSES	<u>1,023,853</u>
OPERATING INCOME	<u>293,406</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	3,499
Vendor's compensation	<u>32</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,531</u>
NET INCOME	<u>296,937</u>
RETAINED EARNINGS, at beginning of year	<u>513,248</u>
RETAINED EARNINGS, AT END OF YEAR	<u>\$ 810,185</u>

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE SIX MONTHS ENDED JUNE 30, 2005

	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 293,438
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	26,944
Provision for bad debts	-0-
Changes in assets and liabilities	
(Increase) Decrease in receivables	52,527
(Increase) Decrease in inventory	-0-
(Increase) Decrease in unbilled receivables	201,009
(Increase) Decrease in prepaid expenses	( 53,053)
Increase (Decrease) in accounts payable	( 199,185)
Increase (Decrease) in restricted liabilities	3,860
Increase (Decrease) in compensated absences	( 2,374)
Increase (Decrease) in other payables	( 1,718)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>321,448</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>( 2,979)</u>
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>( 2,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	3,499
Deposited in CD's	<u>( 201,784)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>( 198,285)</u>
NET (DECREASE) IN CASH	120,184
CASH AT BEGINNING OF YEAR	<u>167,170</u>
CASH AT END OF YEAR (NOTE 2)	<u>\$ 287,354</u>

See accompanying notes

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

Introduction and Nature of Activities

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for the year ended December 31, 2004, the District implemented Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The most significant change as a result of the implementation of Statement No. 34 is, for the first time, the District included a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations. The implementation of this new accounting pronouncement did not change the District's policies for recognizing revenues or expenses and did not result in any changes in reporting earnings or retained earnings of the District.

B. Reporting Entity

Gas Utility District No. 1 of East Baton Rouge Parish is a related organization of the East Baton Rouge Parish government (the primary government). Organizations for which a primary government is accountable because the government appoints a voting majority of the board, but is not financially accountable, are related organizations. The East Baton Rouge Parish government is not financially accountable for the District. The accompanying financial statements present only financial information of this related organization and no other organizations.

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

C. Fund Accounting

The Gas Utility District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The District follows all GASB pronouncements and all FASB statements and interpretations that were issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, as described in paragraph 6 of GASBS 20.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

E. Cash and Cash Equivalents

Cash includes cash on hand and cash in interest bearing demand deposits. Cash equivalents include amounts in time deposits (CD's) and investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

F. Investments

The District has investments in certificates of deposit totaling \$310,876 in 2005. Governmental Accounting Standards Board Statement 9 requires non-negotiable certificates of deposits with an original maturity of more than three months be classified as investments.

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

G. Inventory

The District's inventory, valued at the lower of cost or market, consists of hot water heaters and gas space heaters. Cost is determined using the first-in first-out method. During 2004 all of the remaining inventory was used to repair heaters in the shop building. The current balance of inventory is zero.

H. Unclaimed Bonds

All outstanding bonds matured on June 1, 1987 and do not earn any interest from that date. The interest rate on the bonds was 4% per annum. The balance remaining of unclaimed bonds is \$5,023.

I. Prepaid Items

The District's only prepaid asset consists of prepaid insurance. The District's insurance policy period is February 1 through January 31.

J. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The District has sufficient funds in demand deposits to redeem all bonds still outstanding. Also, the District must maintain in demand deposits an amount equal to customers' deposits for service.

K. Fixed Assets

Fixed assets of the District are included on the balance sheet of the fund. Depreciation is charged as an expense against operations.

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

Buildings	25 years
Machinery and equipment	5 - 12 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years
Gas systems	15 - 40 years

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

L. Accounts Receivable

All accounts receivable result from billings to customers for natural gas used.

M. Bad Debts

Uncollectible accounts due from customers are recognized as bad debts through the establishment of an allowance account. In 2005, no amount was added to the allowance account and no amount was deducted from the allowance account as uncollectible receivables. The bad debt expense for June 30, 2005 was zero.

N. Unbilled Accounts Receivable

The District has its customer routes divided into 4 billing cycles which are the 1st, the 8th, the 16th, and the 22nd of each month. Under this procedure, meters are read and billed based on their billing cycle. At the end of the month, customers will have used some gas for which they have not yet been billed. At the end of June, an entry is made to accrue this unbilled revenue.

O. Use of Estimates

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

P. Income Taxes

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

Q. Compensated Absences

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

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

R. Pension Fund for Employees

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

The plan is funded by monthly contributions of 10% of eligible employee wages paid between January 1 and June 30. The plan allows eligible employee contributions of up to 10% of their wages. To be an eligible employee, an individual must be 21 years of age and have been employed by the Gas Utility District for six months.

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

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

When an employee leaves employment and the employee is not fully vested, the unvested portion is used to reduce the current year's contribution.

The contributions for the six months ended June 30, 2005 were \$18,536.

S. Post Employment Benefits

The District provides certain health care benefits, in accordance with the policy adopted by the Board of Commissioners, to all employees who retire from the District and to the retirees' beneficiaries and dependents who were receiving benefits when the retiree died. At June 30, 2005, the District had one retired employee's dependent who was receiving these benefits. The District recognizes the cost of providing these benefits by expensing the annual insurance premium, which was \$1,405 for the six months ended June 30, 2005.

T. Related Party Transactions

There were no related party transactions.



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

U. Litigation and Claims

There were no litigations or claims against the District.

V. Subsequent Events

There were no subsequent events.

W. Reserves of Retained Earnings

Reserved retained earnings represent those portions of the retained earnings which are either not available for expenditure or legally segregated for a specific future use.

The Reserved - Bond redemption of \$5,023 for June 30, 2005 is required by the bond issuance documents. A sinking fund was required to accumulate the cash to pay off the revenue bonds and the related interest as they came due. This amount satisfies all the bonds and interest that remain unclaimed.

The Reserved - Customer deposits of \$96,490 at June 30, 2005 is required as an escrow fund for deposits made by customers. There must always be on deposit an amount at least equal to the deposits made by customers. This money cannot be used for any other purpose.

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2005, the District had cash and cash equivalents of \$287,354 as follows:

Current Assets	<u>2005</u>
Cash on hand	\$ 1,601
Cash in interest bearing demand deposits	<u>171,777</u>
Total in current assets	\$ 173,378
Restricted Assets	
Cash in interest bearing demand deposits	6,197
Cash in interest bearing demand deposits	<u>107,779</u>
Total in restricted assets	<u>113,976</u>
Total Cash and Cash Equivalents	<u>\$ 287,354</u>

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

These deposits are stated at cost, which approximates market. Under state law, these deposits or bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2005, the District had \$598,726 in deposits (collected bank balances and certificates of deposit). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$888,678 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statements No. 3, La. R.S. 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.

NOTE 3. FIXED ASSETS

A summary of fixed assets at June 30, 2005 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 22,900	\$ -0-	\$ 22,900
Buildings	357,178	297,287	59,891
Machinery and equipment	318,055	279,567	38,488
Furniture and fixtures	32,793	32,793	-0-
Vehicles	99,030	80,754	18,276
Billing Software	1,075	842	233
Gas system	1,742,905	1,363,073	379,832
Contributed assets	<u>6,000</u>	<u>-0-</u>	<u>6,000</u>
	\$ 2,579,936	\$ 2,054,316	\$ 525,620

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

A summary of changes in fixed assets at June 30, 2005 follows:

<u>Asset</u>	<u>12/31/04</u>	<u>Additions</u>	<u>Retirements</u>	<u>06/30/05</u>
Vehicles	\$ 99,030	\$ -0-	\$ -0-	\$ 99,030
Billing Software	1,075			1,075
Buildings	357,178			357,178
Equipment	315,076	2,979		318,055
Furniture	32,793			32,793
Gas System	1,742,905			1,742,905
Land	22,900			22,900
Contributed Assets	<u>6,000</u>			<u>6,000</u>
	\$2,576,957	\$ 2,979	\$ -0-	\$2,579,936

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover these risks. The District purchased coverage for general liability; building and contents on the buildings; commercial auto liability, comprehensive, collision, and uninsured motorists; and workers compensation. The total insurance cost for June 30, 2005 was \$52,189.

NOTE 5. REQUIRED ADDITIONAL DISCLOSURES

- A. Board members do not receive per diem payments and no per diem payments were made for the six months ended June 30, 2005;
- B. There were no professional service payments made to contractors for surveys, feasibility studies, or special studies;
- C. There were no federal award programs.

# GERALD A. WALKER, CPA

A Professional Corporation

Member  
American Institute  
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Society of Louisiana  
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Management  
Accountants

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

I have audited the financial statements of Gas Utility District No. 1 of East Baton Rouge Parish as of and for the six months ended June 30, 2005, and have issued my report thereon dated October 25, 2005. 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.

### Compliance

As part of obtaining reasonable assurance about whether Gas Utility District No. 1 of East Baton Rouge Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

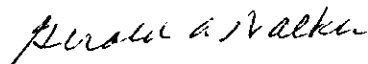
In planning and performing my audit, I considered Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on

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

the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Commissioners and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Gerald A. Walker, CPA  
October 25, 2005

SUPPLEMENTARY INFORMATION

SCHEDULE 1

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2005

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gas Utility District No. 1 of East Baton Rouge Parish.
2. There were no reportable conditions in internal control.
3. *There was no non-compliance which is material to the financial statements.*
4. A management letter was not issued.
5. There were no findings required to be reported by *Government Auditing Standards*.
6. *There were no prior audit findings.*
7. There were no federal award programs.