

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

November 30, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/15/11

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**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2010

The Management of West Baton Rouge Parish Public Utility (the Utility) has prepared this Discussion and Analysis. The Discussion and Analysis presents a narrative overview and analysis of the Utility's financial activities as of and for the year ended November 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- * The Utility's assets exceeded its liabilities at the close of fiscal year 2010 by \$16,058,695 which represents a significant increase from last fiscal year. Of this amount, \$1,276,527 (unrestricted net assets) may be used to meet the Utility's ongoing obligations to its customers.

- * The Utility's operating income decreased by \$18,837 and income before contributions and transfers decreased by \$46,868 over fiscal year 2009. The Utility implemented Government Accounting Standards Board Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions (GASB 45)* in 2009. In accordance with the standard, an expense of \$175,663 in 2010 and \$172,814 in 2009 was recorded for the increases in the Utility's Other Post-Employment Liability for each year. See Note 14 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts: Management Discussion and Analysis, basic financial statements, and supplementary information. This Discussion and Analysis is intended to serve as an introduction to the Utility's basic financial statements. The basic financial statements present information for the Utility and is designed to make the statements easier to understand. The basic financial statements consists of the Utility's financial statements and notes to the financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the Utility as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheets, Statements of Revenues and Expenses, Statements of Changes in Net Assets, and Statements of Cash Flows.

The Balance Sheet presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Utility is improving or deteriorating.

**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2010

BASIC FINANCIAL STATEMENTS - CONTINUED

The Statement of Revenues and Expenses and the Statement of Changes in Net Assets present information showing how the Utility's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Utility's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 3,103,645	\$ 2,489,478	\$ 2,005,144
Capital assets	<u>15,258,099</u>	<u>15,371,844</u>	<u>11,246,093</u>
Total assets	<u>\$ 18,361,744</u>	<u>\$ 17,861,322</u>	<u>\$ 13,251,237</u>
Other liabilities	\$ 1,090,174	\$ 1,170,618	\$ 1,172,298
Long-term liabilities	<u>1,212,905</u>	<u>1,019,874</u>	<u>867,450</u>
Total liabilities	<u>2,303,079</u>	<u>2,190,492</u>	<u>2,039,748</u>
Net assets:			
Invested in capital assets, net of debt	14,773,217	14,609,226	10,481,093
Restricted for debt service	8,951	5,202	-0-
Unrestricted	<u>1,276,527</u>	<u>1,056,402</u>	<u>730,396</u>
Total net assets	<u>16,058,695</u>	<u>15,670,830</u>	<u>11,211,489</u>
Total liabilities and net assets	<u>\$ 18,361,774</u>	<u>\$ 17,861,322</u>	<u>\$ 13,251,237</u>

**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2010

FINANCIAL ANALYSIS OF THE ENTITY - CONTINUED

Net assets of the Utility increased by \$4,459,341 from November 30, 2009 to November 30, 2010.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 6,413,223	\$ 5,917,892	\$ 7,094,485
Operating expenses	<u>6,231,502</u>	<u>5,717,304</u>	<u>6,882,625</u>
Operating income (loss)	181,721	200,588	211,860
Non-operating revenues (expenses)	<u>(22,522)</u>	<u>5,479</u>	<u>33,091</u>
Income (Loss) before contributions and transfers	159,199	206,067	244,951
Contributions and transfers	<u>228,666</u>	<u>4,253,274</u>	<u>164,127</u>
Net increase (decrease) in net assets	\$ <u>387,865</u>	\$ <u>4,459,341</u>	\$ <u>409,078</u>

CAPITAL ASSETS

As of November 30, 2010, the Utility had \$15,258,099, net of accumulated depreciation, invested in capital assets, including land, right of ways, equipment, and plant and distribution systems. This amount represents a net increase (including additions and deductions) of \$113,745 from last year.

**WEST BATON ROUGE PARISH PUBLIC UTILITY
PORT ALLEN, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

CAPITAL ASSETS - CONTINUED

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Equipment, Plant and Distribution Systems	\$ 23,383,640	\$ 22,906,673	\$ 18,353,943
Less Accumulated Depreciation	<u>8,125,541</u>	<u>7,534,829</u>	<u>7,107,841</u>
Net	\$ <u>15,258,099</u>	\$ <u>15,371,844</u>	\$ <u>11,246,102</u>

This year's significant capital additions included above were:

* Telemetry System	\$ 89,000
* Vehicles	\$ 34,701
* Gas and Water distribution systems	\$ 343,906

The Utilities fixed assets increased by \$494,236. Of that increase \$224,971 was from capital transfers and contributions. Subdivision developers contributed \$135,971 and the Parish Council transferred \$89,000 of gas, water, and sewer improvements to the Utility.

CONTACTING THE UTILITY'S MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pam Keowen, Office Supervisor, West Baton Rouge Parish Public Utility. Ms. Keowen can be reached by phone at (225) 490-8520.



CALVIN L. ROBBINS, JR.
CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

West Baton Rouge Parish Council
Port Allen, Louisiana

I have audited the accompanying financial statements of the West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council, for the years ended November 30, 2010 and 2009, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Public Utility. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the West Baton Rouge Parish Public Utility and are not intended to present fairly the financial position of West Baton Rouge Parish and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Baton Rouge Parish Public Utility as of November 30, 2010 and 2009, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

West Baton Rouge Parish Council

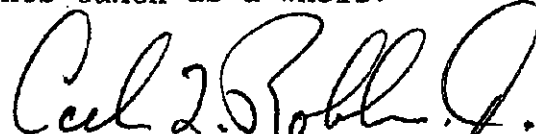
In accordance with Government Auditing Standards, I have issued a report dated May 27, 2011 on my consideration of the West Baton Rouge Parish Public Utility's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards

West Baton Rouge Parish Council

generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountant
(A Professional Corporation)

May 27, 2011
Baton Rouge, Louisiana

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

BALANCE SHEETS

November 30, 2010 and 2009

A S S E T S

	2010	2009
<u>Current Assets</u>		
Cash:		
Payroll account	\$ 13,385	6,362
Revenue accounts	566,972	525,914
Other accounts	917,170	563,461
On hand	<u>895</u>	<u>895</u>
Total Cash	1,598,422	1,096,632
Investments (See Note 4)	269,387	261,824
Accounts receivable (See Note 9)	732,775	681,169
Prepaid expenses	<u>20,655</u>	<u>22,899</u>
Total Current Assets	2,621,239	2,062,524
<u>Restricted Assets - (See Note 3)</u>		
Customers' deposits	430,589	379,201
Revenue bond restricted funds	<u>17,028</u>	<u>12,934</u>
Total restricted assets	447,617	392,135
<u>Utility Plant and Equipment</u>		
At cost, net of accumulated depreciation (See Note 5)	15,258,092	15,371,844
<u>Other Assets</u>		
Due from Water District No. 4 (See Note 7)	<u>34,819</u>	<u>34,819</u>
Total Assets	\$ 18,361,774	\$ 17,861,322

LIABILITIES AND NET ASSETS

	2010	2009
<u>Current Liabilities - (Payable from Current Assets)</u>		
Accounts payable	\$ 216,957	\$ 340,963
Accrued and withheld taxes and expenses	81,679	71,672
Miscellaneous payables	7,674	7,700
Payable to other systems and the Parish Council	42,031	36,704
Payable to State of Louisiana	<u>301,167</u>	<u>301,167</u>
Total Liabilities (Payable from Current Assets)	551,508	758,206
<u>Current Liabilities - (Payable from Restricted Assets) (See Note 12)</u>		
	438,666	386,933
<u>Long-Term Liabilities</u>		
Sewer Revenue Bond (See Note 21)	746,805	754,886
Accumulated unpaid vacation (See Note 11)	117,653	117,653
OPFB (See note 14)	<u>348,447</u>	<u>172,814</u>
Total Liabilities	2,302,072	2,190,492
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 14,773,217	\$ 14,609,226
Restricted for debt service	8,951	5,202
Unrestricted	<u>1,276,527</u>	<u>1,056,402</u>
Total Net Assets	16,058,695	15,670,830
Total Liabilities and Net Assets	\$ 18,361,774	\$ 17,861,322

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

STATEMENTS OF CHANGES IN
NET ASSETS

For the years ended November 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Beginning Balance, December 1	\$ 15,670,830	\$ 11,211,489
Increase (Decrease) in net assets for the year	<u>387,865</u>	<u>4,459,341</u>
Balance, November 30	\$ <u>16,058,695</u>	\$ <u>15,670,830</u>

Net Assets at November 30, 2010 and 2009
consists of the following:

Invested in capital assets, net of related debt	\$ 14,773,217	\$ 14,609,226
Restricted for debt service	8,951	5,202
Unrestricted	<u>1,276,527</u>	<u>1,056,402</u>
Balance, November 30	\$ <u>16,058,695</u>	\$ <u>15,670,830</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Operating Revenues</u>		
Gas sales	\$ 4,410,832	\$ 3,880,970
Water sales	992,229	976,898
Penalties	32,160	26,318
Extension and connection charges	70,288	68,765
Service agreement (See Note 7)	301,619	254,904
Sewer income	548,492	602,017
Other income (See Note 10)	56,578	106,226
Bad debt recovery	<u>1,025</u>	<u>1,794</u>
Total Operating Revenues	<u>6,413,223</u>	<u>5,917,892</u>
<u>Operating Expenses</u>		
Gas purchases	2,774,980	2,448,254
Water purchases	11,557	8,147
Salaries and wages	1,329,968	1,279,006
Depreciation	607,981	518,935
Meter and system repairs and supplies	63,777	70,759
Sewer expense	149,766	253,625
Bad debts	5,862	6,872
Cathodic protection	11,345	10,477
Collection expense	1,200	1,200
Equipment rental and repair	24,661	5,761
Equipment service contracts	37,740	34,547
Operator qualification	750	750
Insurance - employee benefits	294,847	290,650
Insurance and surety bonds	69,313	111,900
Miscellaneous	64,035	55,044
Office supplies and postage	32,212	32,708
Payroll taxes	16,205	15,121
Professional services	22,023	21,948
Telephone	4,005	3,415
Truck and travel	71,194	57,671
Utilities	262,551	162,570
Retirement	199,397	154,630
Other post-employment benefits	175,633	172,814
Unemployment compensation	<u>500</u>	<u>500</u>
Total Operating Expenses	<u>6,231,502</u>	<u>5,717,304</u>
Operating Income (Loss)	181,721	200,588

(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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Income (Loss) from the preceding page	\$ <u>181,721</u>	\$ <u>200,588</u>
 <u>Nonoperating Revenues</u>		
Interest on investments and savings	10,798	16,734
Gain (Loss) on investments	<u>4,211</u>	<u>2,063</u>
Total Nonoperating Revenues	<u>15,009</u>	<u>18,797</u>
 <u>Nonoperating Expenses</u>		
Interest expense	35,432	11,266
Investment fees	<u>2,099</u>	<u>2,052</u>
Total Nonoperating Expense	<u>37,531</u>	<u>13,318</u>
Income (Loss) before contributions and transfers	159,199	206,067
 <u>Capital Contributions and Transfers</u>	 <u>228,666</u>	 <u>4,253,274</u>
Increase (Decrease) in Net Assets	\$ <u>387,865</u>	\$ <u>4,459,341</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, 2010 and 2009

Increase (Decrease) in Cash and Cash Equivalents

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from customers	\$ 6,391,156	\$ 5,946,080
Receipts from others	21,849	29,562
Payments to suppliers and providers	(4,227,269)	(3,801,721)
Payment to employees	<u>(1,325,073)</u>	<u>(1,256,546)</u>
Net cash provided(used) by operating activities	_ 860,663	_ 217,375
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Capital Contribution and transfer Acquisition and construction of capital assets	3,695 (269,265)	18,766 (384,042)
Long-Term Debt Issued	-0-	-0-
Long-Term Debt Repaid	(7,736)	(2,382)
Interest Paid	<u>(35,432)</u>	<u>(44,734)</u>
Net cash provided (used) by capital and financing activities	<u>(308,738)</u>	<u>(412,392)</u>
Net cash before cash flows before investing activities	551,925	504,983

(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, 2010 and 2009

Increase (Decrease) in Cash and Cash Equivalents

	<u>2010</u>	<u>2009</u>
Net cash before cash flows before investing activities - from the preceding page	\$ <u>551,925</u>	\$ <u>504,983</u>
<u>Cash Flows from Investing Activities:</u>		
Investment Expense	(2,099)	(2,052)
Interest and dividends on investments	10,798	16,734
Purchase of investment securities	(301,668)	(293,520)
Sale of investment securities	<u>298,316</u>	<u>322,905</u>
Net cash provided by investing activities	<u>5,347</u>	<u>44,067</u>
Net increase in cash and cash equivalents	557,272	549,050
Cash and cash equivalents at the beginning of the year	<u>1,488,767</u>	<u>939,717</u>
Cash and cash equivalents at the end of the year	\$ <u>2,046,039</u>	\$ <u>1,488,767</u>

Cash Flow Disclosures

Noncash Investing, Capital, and Financing Activities

During 2010, an industrial customer donated improvements to the gas system costing \$135,971. The Parish Council contributed water system improvements costing \$89,000 to the Public Utility.

During 2009, developers donated sewer, gas and water improvements valued at \$414,524 to the Public Utility. The Parish Council transferred equipment, sewer, and water improvements to the Public Utility costing \$3,819,984.

<u>Interest Paid</u>	<u>2010</u>	<u>2009</u>
Interest charged to expense	\$ <u>35,432</u>	\$ <u>11,266</u>
Interest capitalized	\$ <u>-0-</u>	\$ <u>33,468</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, 2010 and 2009

Increase (Decrease) in Cash and Cash Equivalents

	<u>2010</u>	<u>2009</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating</u>		
<u>Activities:</u>		
Operating income (loss)	\$ <u>181,721</u>	\$ <u>200,588</u>
Adjustments to reconcile operating		
income to net cash provided by		
operating activities:		
Depreciation	607,981	518,935
Basis & Salvage values expensed	-0-	7,332
(Increase) Decrease in assets:		
Accounts receivable	(51,606)	38,316
Prepaid expenses	2,244	(922)
Increase (Decrease) in liabilities:		
Accounts payable and		
accrued expenses	(111,999)	(45,032)
Miscellaneous payables	(26)	1,115
Payable to other systems	5,327	(3,076)
Accumulated unpaid vacation	-0-	15,203
Customer deposits	51,388	12,102
OPEB	<u>175,633</u>	<u>172,814</u>
Total adjustments	<u>678,942</u>	<u>716,787</u>
Net cash provided (used)		
by operating		
activities	\$ <u>860,663</u>	\$ <u>917,375</u>

See accompanying notes to financial statements.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS

November 30, 2010 and 2009

INTRODUCTION

West Baton Rouge Parish Public Utility operates a water system, natural gas system, and sewer system serving residences and businesses in parts of West Baton Rouge Parish. The Public Utility extends credit to its customers. Customers are required to make a cash deposit or provide other forms of collateral before service begins.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the West Baton Rouge Parish Public Utility have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standards Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Utility applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

conformance with GASB Statement No. 14, the West Baton Rouge Parish Public Utility includes all funds, account groups, et cetera, that are within the oversight responsibility of the Public Utility. Based on the criteria set forth in GASB Statement No. 14, the Public Utility is a component unit of the West Baton Rouge Parish Council. The basic criteria is the Council's ability to exercise oversight responsibility.

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth, the West Baton Rouge Parish Public Utility has no component units.

Proprietary Fund

The West Baton Rouge Parish Public Utility is operated as an proprietary (enterprise) fund of the West Baton Rouge Parish Council, and as such employs the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Revenue from utility services provided but not yet billed to customers are recognized in the period in which the services were provided.

Proprietary (enterprise) funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

Cash and Investments

Cash deposited with financial institutions is carried at cost which approximates market.

Investments are stated at fair market value.

Utility Plant and Equipment

Utility plant and equipment are recorded at original cost, including interest capitalized during the construction period. Donated fixed assets are recorded at fair market value when donated. Depreciation is recorded on all assets using the straight-line method over the estimated useful lives of the assets. The service lives by type of asset are as follows:

Gas system	20-35 years
Water system	30-50 years
Sewer System	50 years
Utility equipment	5-10 years
Office equipment	5-10 years
Vehicles	4-6 years
Buildings	20 years

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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. Interest capitalized during the year ended November 30, 2009 was \$33,468. No interest was capitalized in 2010.

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).

Cash and cash equivalents are shown under the following captions on the balance sheet:

	<u>2010</u>	<u>2009</u>
Cash	\$ 1,598,422	\$ 1,096,632
Restricted assets	<u>447,617</u>	<u>392,135</u>
Total	\$ <u>2,046,039</u>	\$ <u>1,488,767</u>

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, 2010 was \$2,046,039. All bank deposits were in interest bearing accounts.

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

The bank balances of these deposits totaled \$2,061,114 on November 30, 2010. At November 30, 2010 the Utility's bank balances were secured by \$200,000 of FDIC insurance, and \$2,036,703 of collateral held by the pledging financial institution agent in the name of the pledging financial institutions and pledged to the Utility (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

Under state law, the West Baton Rouge Parish Public Utility may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana. Funds may also be invested in direct United States Treasury obligations and obligations guaranteed by federal agencies provided such obligations are backed by the full faith and credit of the United States of America. Investment is also permitted in obligations issued or guaranteed by U.S. government instrumentalities, which are federally sponsored. Statutes also allow the Utility to invest in any investment as stipulated in R.S. 33:2955.

The Utility may invest such monies it has in any general fund or special funds which the management of the Utility and Parish Council, in their discretion, may determine to be available for investment and which are not specifically exempted or prohibited from investment under existing state or federal statutes.

NOTE 3. RESTRICTED ASSETS

Restricted assets consist of the checking accounts used to hold customers' deposits and the funds required to be maintained under the terms of the Sewer Revenue Bond agreement.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 3. RESTRICTED ASSETS - Cont'd

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

The revenue bond restricted funds are accounts required to be maintained under the terms of the bond indenture of the outstanding Sewer Revenue Bonds Series 2009. They are as follows:

- A. The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Sewer Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at November 30, 2010 and 2009 were \$11,228 and \$11,228, respectively.
- B. The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at November 30, 2010 and 2009 were \$2,900 and \$853, respectively. As of November 30, 2010 and 2009, this fund was adequately funded.
- C. The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at November 30, 2010 and 2009 were \$2,900 and \$853, respectively. As of November 30, 2010 and 2009, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$17,028 and \$12,934 at November 30, 2010 and 2009, respectively.

West Baton Rouge Parish Public Utility
 Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 4. INVESTMENTS

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

<u>2010:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U.S. Treasury obligations, .75% to 9.0%, due between 6/11 and 8/20	\$ 165,730	\$ 164,621
Various GNMA pools, 5% to 6.5%, due between 9/27 and 6/34	27,558	25,870
Various FNMA and FHLMC pools, 2.875% to 7%, due between 5/19 and 9/34	60,590	57,762
Cash funds	<u>15,509</u>	<u>15,509</u>
Total	\$ <u>269,387</u>	\$ <u>263,762</u>

CREDIT RISK AND CUSTODIAL RISK

Investments are limited by state law and the Public Utility investment policy. The investments are held by the Public Utility's broker in its street name.

INTEREST RATE RISK

The Public Utility investment policy does not address interest rate risk specifically.

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 4. INVESTMENTS - (Cont'd)

	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
<u>2009:</u>		
Various U.S. Treasury obligations, 1.125% to 9.0%, due between 7/10 and 8/19	\$ 167,782	\$ 167,307
Various GNMA pools, 5% to 6.5%, due between 9/27 and 6/34	31,530	29,608
Various FNMA and FHLMC pools, 3.75% to 7%, due between 9/11 and 9/34	55,885	54,629
Cash funds	<u>6,627</u>	<u>6,627</u>
Total	\$ <u>261,824</u>	\$ <u>258,171</u>

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, 2010:			
Gas distribution system	\$ 4,356,727	\$2,341,903	\$ 2,014,824
Water distribution system	7,492,380	3,324,526	4,167,854
Sewer system	9,910,362	1,367,167	8,543,195
Utility and sewer equipment	899,832	637,854	261,978
Office equipment	183,818	146,988	36,830

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Vehicles	308,186	202,211	105,975
Buildings	113,183	104,892	8,291
Land	119,152	-0-	119,152
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$23,383,640</u>	<u>\$8,125,541</u>	<u>\$15,258,099</u>

As of November 30, 2009:

Gas distribution system	\$ 4,162,733	\$2,257,883	\$1,904,850
Water distribution system	7,253,468	3,169,608	4,083,860
Sewer system	9,910,362	1,082,852	8,827,510
Utility and sewer equipment	887,829	582,186	305,643
Office equipment	169,192	135,528	33,664
Vehicles	290,754	203,069	87,685
Buildings	113,183	103,703	9,480
Land	119,152	-0-	119,152
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$22,906,673</u>	<u>\$7,534,829</u>	<u>\$15,371,844</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

Cost includes sewer, gas, and water systems donated to the Parish valued at fair market value, which approximated original cost, on the date donated.

NOTE 6. PENSION PLAN

Substantially all employees of the West Baton Rouge Parish Public Utility are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The system is composed of two distinct plans, Plan A and Plan B, with separate assets, and separate benefit provisions. All employees of the Utility are members of Plan A.

All permanent employees working at least 28 hours per week and who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final-average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and who do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 6. PENSION PLAN - (Cont'd)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the West Baton Rouge Parish Public Utility is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the West Baton Rouge Parish Public Utility are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The West Baton Rouge Parish Public Utility contributions to the System under Plan A for the years ending November 30, 2010, 2009, 2008, 2007, and 2006 were \$199,397, \$154,452, \$157,189, and \$151,770, respectively, equal to the required contributions for each year.

NOTE 7. WATER SYSTEM AGREEMENT

The West Baton Rouge Parish Public Utility leases several water systems to Water Works District No. 4 (another component unit of the West Baton Rouge Parish Council) under a local services agreement entered into in February, 1982. The lease expired in 1996, but continues on a month to month basis.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

Rental income from the leased water systems was \$1,251 for the year ended November 30, 2010 and \$1,251 for the year ended November 30, 2009.

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 \$157,495 under the operating agreement for the year ended November 30, 2010 and \$155,537 for the year ended November 30, 2009. In addition, the Public Utility billed Water Works District No. 4 \$80,007 and \$121,070 during the years ended November 30, 2010 and 2009 for additional maintenance and services provided that were not covered by the original operating agreement. The Water District also collects sewer bills for the Public Utility's sewer customers serviced by the District. The District remits the amount collected to the Public Utility. Water Works District No. 4 owed the Public Utility \$44,054 and \$36,925 as of November 30, 2010 and 2009, respectively for these services and collections. The receivables are included in Accounts Receivable on the Balance Sheet.

In addition to the regular services provided for under the Water Service Agreement, the Public Utility assisted Water Works District No. 4 in relocating some of its water lines during the year ended November 30, 1990. The relocation was required by the Louisiana Department of Transportation (See Note 13). Total cost of relocating the Water District's lines was \$34,819. The balance owed to the Public Utility as of November 30, 2010 and 2009 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, 2010 and 2009

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

During the year ended November 30, 2010 the Public Utility entered into an operating agreement with Water Works District No. 1, for the Public Utility to operate Water Works District No. 1's existing water system. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The Public Utility billed Water Works District No. 1 \$51,143 under the operating agreement for the year ended November 30, 2010. In addition, the Public Utility billed Water Works District No. 4 \$11,722 during the year ended November 30, 2010 for additional maintenance and services provided to the District. Water Works District No. 1 owed the Public Utility \$25,404 as of November 30, 2010 for these services. The receivable is included in Accounts Receivable on the Balance Sheet.

NOTE 8. WEST BATON ROUGE PARISH COUNCIL

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 \$4,338 for the year ended November 30, 2010 and \$4,333 for the year end November 30, 2009 for providing this service. In addition to the per customer fee, the Council paid the Utility \$9,500 per year to help defray the costs associated with the collection of garbage and trash. The Utility owed the Council \$19,094 for garbage fees collected and other amounts collected but not remitted to the Council at November 30, 2010. The amount owed to the Council at November 30, 2009 was \$17,963

Louisiana Department of Community Development - The Parish Council was the agent to receive funds from a Louisiana Department of Community Development LGAP grant. At November 30, 2010 the Public Utility was owed \$77,316 under the terms of the grant. That amount is shown in accounts receivable.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 9. ACCOUNTS RECEIVABLE

Accounts receivable at November 30, 2010 and 2009 was made up of the following:

	<u>2010</u>	<u>2009</u>
Customer accounts:		
Billed	\$ 484,744	\$ 508,217
Unbilled	92,386	114,220
Receivable from other entities	157,945	61,032
Receivable from vendors	<u>1,500</u>	<u>1,500</u>
Total	736,575	684,969
Less allowance for doubtful accounts	<u>(3,800)</u>	<u>(3,800)</u>
Net	\$ <u>732,775</u>	\$ <u>681,169</u>

NOTE 10. OTHER INCOME

Other income as of November 30, 2010 and 2009 was composed of the following:

	<u>2010</u>	<u>2009</u>
Service charges	\$ 27,420	\$ 17,380
Charges to other entities	2,971	62,283
Garbage billing and service fees	4,338	4,333
Miscellaneous income	<u>21,849</u>	<u>22,230</u>
Total	\$ <u>56,578</u>	\$ <u>106,226</u>

NOTE 11. ACCUMULATED UNPAID VACATION

The Utility has the following policy relating to vacation:

One week of vacation after six months of service.

Two weeks of vacation after one to five years of service.

Three weeks of vacation after five to fifteen years of service.

(Continued)

West Baton Rouge Parish Public Utility
 Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 11. ACCUMULATED UNPAID VACATION - Cont'd

Four weeks of vacation after fifteen to twenty years of service.
 Five weeks of vacation after twenty or more years of service.

Each employee accrues annual leave on January 1 of each year for that year. Employees can accumulate up to 300 hours of unused vacation.

During 2010, employees earned approximately \$65,986 of vacation pay and used approximately \$66,194. As of November 30, 2010 and 2009, employees of the Utility had accumulated and vested \$117,653 and \$117,653, respectively, of vacation benefits.

The Utility's sick leave policy does not provide for the vesting of sick leave; therefore, there is no provision for accumulated sick leave on these statements.

NOTE 12. CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

The following current liabilities were payable from restricted assets as of November 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Customers' deposits	\$ 430,589	\$ 379,201
Revenue bond current maturities	_____ 8,077	_____ 7,732
Total	\$ <u>438,666</u>	\$ <u>386,933</u>

NOTE 13. PAYABLE TO STATE OF LOUISIANA

During the year ended November 30, 1997, the Public Utility was required to relocate some of its gas lines by the Louisiana Department of Transportation. The gas lines were located on Highway Department right-of-ways for roads that were being widened. The Department of Transportation agreed to loan the Public Utility funds to finance the relocation. At November 30, 1997, \$63,791 had

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

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

been advanced to the Public Utility to assist in paying costs incurred to that date on the relocation project. During the years ended November 30, 1999 and 1998, \$15,126 and \$108,783 were advanced to cover costs incurred during those years. The total amount payable on this loan was \$187,700 at November 30, 2010 and 2009.

During the year ended November 30, 1990, the Public Utility was required by the Louisiana Department of Transportation to relocate some gas and water lines located on highway right-of-ways, to allow for widening of those highways. The Public Utility received \$197,900 from the Louisiana Department of Transportation (DOTD) during the year ended November 30, 1992. Of this amount, \$113,467 was a loan from DOTD and is shown as a current liability on the Balance Sheet and \$84,433 was a grant from DOTD. The Public Utility had not repaid the loan as of November 30, 2010.

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

All classified and unclassified employees of the West Baton Rouge Parish Public Utility at their option participate in the employee's group life and health insurance programs. The insurance policies are quoted and awarded on a yearly basis.

PLAN DESCRIPTION

The West Baton Rouge Parish Public Utility currently offers a HDHP and a PPO plans to all full time employees as well as retired and retirement eligible employees. All retirees age 65 and older that have Part A and Part B of Medicare must go on the Humana 65 PLAN. Additionally, a HSA is also offered to all HDHP participants that choose to participate. The West Baton Rouge Parish Public Utility currently pays 100% of the premiums for all full-

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

time employees, retirees, and retirement eligible employees. The West Baton Rouge Parish Public Utility also contributes to the participants that utilize the HSA as follows:

Family	\$800 Annually
Two-party	\$800 Annually
Single	\$400 Annually

Additionally the West Baton Rouge Parish Public Utility pays 50% for a life insurance policy for all full-time and retired employees who wish to participate.

FUNDING POLICY

Effective with the Fiscal Year beginning December 1, 2009 the Utility implemented Government Accounting Standards Board Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45).

Currently the employees and retirees do not contribute to the premiums for the health insurance. This is established after the yearly quotes have been awarded and or addressed in the annual operating budget and may be amended in subsequent years. For the years ended November 30, 2010 and 2009, the plan was funded by the West Baton Rouge Parish Public Utility 100% for the health insurance premiums and 50%-50% on life insurance premiums. Additionally, the Parish does contribute to the HSA of all HDHP participants that choose to participate based on the schedule under the plan description.

The employer contribution to the OPEB plan for the year ended November 30, 2010 and 2009 totaled \$44,376 and \$47,186, respectively or approximately 3.5% of gross payroll. The only contributions required by the retirees would be for their 50% match on the life insurance.

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

ANNUAL OPEB COST AND NET OPEB OBLIGATIONS

The West Baton Rouge Parish Public Utility's annual OPEB cost (expense) was calculated based on the annual required contributions of the employer (ARC) an amount actuarially determined in accordance with the GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial period. Since the year ended November 30, 2009 was the initial year of implementation for GASB 45, there was no net OPEB obligation at the beginning of the year and only one year of trend information is available. The ARC was calculated as part of the December 1, 2009 actuarial valuation performed by an outside consultant. The following table shows the government's annual OPEB cost for the years ended November 30, 2010 and 2009 and the amount actually contributed to the plan during the year.

November 30, 2009

Annual required contribution (ARC)	\$ 220,000
Less current year retirees premiums	<u>(47,186)</u>
OPEB Obligation - November 30, 2009	\$ 172,814

November 30, 2010

ARC	\$ 220,000
Less current year retirees premiums	<u>(44,367)</u> <u>175,633</u>
OPEB Obligation - November 30, 2010	\$ <u>348,447</u>

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

Funding Status and Funding Progress

As of December 1, 2009 the most current actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,418,000 with no valued assets, resulting in an unfunded accrued liability of the same amount. The actuarial valuation of the plan is ongoing and is based on assumptions and probability of events far into the future. Examples could be future events such as employment, mortality and cost of all employee benefits (health insurance, etc.). The determination of the funding status of the plan is ongoing and the annual required contributions by the employer are subject to continual revision and the results of the actual figures are compared with past expectations to meet future estimates.

Actuarial Valuation Date	December 1, 2010
Actuarial Accrued Liability	\$2,418,000
Actuarial Value of Assets	\$ -0-
Unfunded (AAL) (UAAL)	\$2,418,000
Funded Ratio	0.0%
Annual Covered Payroll	\$1,329,968
UAAL as a Percentage of Covered Payroll	181.81%

(CONTINUED)

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

Alternative Measurement Method with Amortization on a level percentage of earnings basis was used for the December 1, 2009 actuarial valuation. Because the government currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical and expected investment that are expected to be used in financing the payment of benefits. The actuarial assumptions included a 4.5 percent investment rate of return compounded annually. Life expectations were based on the RP-2000 Table, applied on a gender specific basis. Average life expectancy for the Utility's participants based on this table is 81 years of age. Turnover was calculated using GASB 45 paragraph 35(b) to assign the probability of remaining employed until assumed retirement age.

The plan assumes that 100% of all employees and their dependents who are eligible for retiree benefits participate in the post-retirement benefits plan. Employees who are currently waiving coverage are assumed to continue waiving coverage until retirement.

Other assumptions

Amortization Method: The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years. It is calculated assuming a level percentage of projected payroll. The remaining amortization period at December 1, 2010 was twenty nine years.

(CONTINUED)

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS - Cont'd

Assumed Retirement Age: Employees are assumed to retire at the latest of age 61 or their eligibility date.

Marriage Assumption: It is assumed that 39% of future retirees are married.

Health care cost trend: The following trend rates are applied on a select and ultimate basis:

	<u>Medical & RX</u>	<u>Life</u>
Select	11%	0%
Ultimate	11%	0%

Salary Increase Assumption: It is assumed salaries will increase 3.5% per annum.

Age Adjusted Annual Premiums: The method used to develop age adjusted annual premiums is described in GASB 45 paragraph 35(d). Since benefits are fully insured, there is no post 65 implicit liability. The age adjusted annual premiums used to project future benefit cost is based on an age less than 65 for the HDHP \$8,331.81 and the PPO \$8,925.69.

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, 2010 and 2009.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 15. RELATED PARTY TRANSACTIONS

In addition to the transactions discussed in Notes 7 and 8 to these financial statements the West Baton Rouge Parish Public Utility had dealings with another component unit of the West Baton Rouge Parish Council.

The Utility and another water system in the Parish share the cost of operating a water well. The Utility billed the other system \$2,044 and \$2,857 for costs paid by the Utility during the years ended November 30, 2010 and 2009, respectively. The other system owed the Utility \$2,044 at November 30, 2010 and \$2,857 at November 30, 2009.

The other system billed the Utility for \$22,937 and \$18,741 for costs it paid during the years ended November 30, 2010 and 2009, respectively. The Utility owed the other system \$22,937 at November 30, 2010 and \$18,741 at November 30, 2009.

The other system also collects sewer fees from its water customers who are sewer customers of the West Baton Rouge Parish Public Utility for the Utility. At November 30, 2010 and 2009 the other system owed the Utility \$9,126 and \$7,306, respectively.

In addition to the other water system mentioned above, the Utility did some utility work for other component units of the Parish Council. Those agencies were billed to cover the costs of labor and material. At November 30, 2009, \$13,944 was receivable from one of those agencies.

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 16. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS

Water sales to Placid Refining Company accounted for 37.5% of water sales for the year ended November 30, 2010 and 36.7% for the year ended November 30, 2009. The receivable from Placid was approximately 4.5% of total accounts receivable at November 30, 2010 and 8.1% of total accounts receivable at November 30, 2009.

Gas sales to a customer in the highway construction business accounted for 4.81% of gas sales for the year ended November 30, 2010 and 6.65% for the year ended November 30, 2009. The receivable from this customer was approximately 8.1% of total accounts receivable at November 30, 2010 and 2.4% of the accounts receivable balance at November 30, 2009.

Gas sales to a second customer in the highway construction business accounted for 4.42% of gas sales for the year ended November 30, 2010 and 8.86% for the year ended November 30, 2009. The receivable from this customer was approximately 1.4% of total receivables at November 30, 2010, and 11.0% of total receivables at November 30, 2009.

Gas sales to a customer in the shipyard business accounted for 9.45% of gas sales for the year ended November 30, 2010 and 8.23% for the year ended November 30, 2009. The receivable from this customer was approximately 7.6% of total accounts receivable as of November 30, 2010 and 8.8% as of November 30, 2009.

Water sales to a customer in the chemical industry accounted for approximately 9.85% of water sales for the year ended November 30, 2010 and 10.1% the year ended November 30, 2009. The receivable from this customer was approximately 1.2% of total accounts receivable as of November 30, 2010. The receivable from this customer at November 30, 2009 was 1.1% of receivables.

Gas sales to a customer in the highway construction business amounted to 4.64% of gas sales for the year ended November 30, 2010 and 5.08% for the year ended November 30, 2009. The receivable from this customer was 1.6% of total accounts receivable at November 30, 2010 and 2.4% for the year ended November 30, 2009.

(CONTINUED)

West Baton Rouge Parish Public Utility
 Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 16. MAJOR CUSTOMERS AND CREDIT CONCENTRATIONS

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.

NOTE 17. DEFERRED COMPENSATION

Certain employees of West Baton Rouge Parish Public Utility participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397. The West Baton Rouge Parish Public Utility does not contribute to the plan.

NOTE 18. CAPITAL CONTRIBUTIONS AND TRANSFERS

Capital contributions and transfers for the year ended November 30 are as follows:

	<u>2010</u>	<u>2009</u>
From the Parish Council:		
Sewer improvements	\$ -0-	\$ 3,406,817
Equipment	-0-	41,378
Water system improvements	89,000	371,789
Cash	3,695	18,766
From developers and industrial customers:		
Gas, water & sewer improvements	<u>135,971</u>	<u>414,524</u>
Total	\$ <u>228,666</u>	\$ <u>4,253,274</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 19. PENDING LITIGATION

There was no pending litigation at November 30, 2010.

NOTE 20. LEASE AGREEMENTS

The West Baton Rouge Parish Public Utility has entered into two operating leases for vehicles. Both leases contain non-appropriation exculpatory clauses that allow lease cancellation if the Utility does not make an appropriation for its continuation during any future fiscal period. Because appropriation is reasonably assured, information about the two leases is presented below.

Operating lease payments are recorded as expenses when the related liability is incurred. Both leases began in the year ended November 30, 2006. Lease payments totaled \$7,711 for 2010 and \$6,885 for 2009 and are included in Truck and Travel expenses on the Statements of Revenue and Expense.

The leases were finished in 2010. There is no further obligation under the leases.

NOTE 21. SEWER REVENUE BOND

During 2008 the West Baton Rouge Parish Council issued "Sewer System Revenue Bond, Series 2010". The bond was purchased by the U.S. Department of Agriculture. The total proceeds of the bond issue of \$765,000 were used by the Parish Council to make sewer system improvements. During 2009 the Sewer System was completed and the Parish Council transferred the completed improvements to the Public Utility.

(CONTINUED)

West Baton Rouge Parish Public Utility
 Port Allen, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

November 30, 2010 and 2009

NOTE 21. SEWER REVENUE BOND - Cont'd

The Sewer Revenue Bond payable at November 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
\$765,000 Sewer Revenue Bond Series 2010 dated June, 2010, interest at 4.375%. Monthly payments of \$3,412. Principal and interest to be paid from the income derived from from the operation of Water Works District Number 4.	\$ 754,882	\$ 762,618
Less current portion	<u>8,077</u>	<u>7,732</u>
Balance	\$ <u>746,805</u>	\$ <u>754,886</u>

The annual requirements to amortize the revenue bond payable as of November 30, 2010, are as follows:

<u>Year Ending</u> <u>November 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,077	\$ 32,866	\$ 40,943
2012	8,438	32,505	40,943
2013	8,815	32,128	40,943
2014	9,208	31,735	40,943
2015	9,619	31,324	40,943
2016-2048	<u>710,725</u>	<u>625,131</u>	<u>1,335,856</u>
Totals	\$ <u>754,882</u>	\$ <u>785,689</u>	\$ <u>1,540,571</u>

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

SCHEDULE OF CHANGES IN SEWER REVENUE
BOND RESTRICTED FUNDS

November 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Beginning Balance	\$ 12,934	\$ -0-
Additions:		
Transfer from Revenue account	<u>45,037</u>	<u>60,050</u>
Total Cash Available	<u>57,971</u>	<u>60,050</u>
Disbursements:		
Bond principal paid	7,736	2,382
Bond interest paid	<u>33,207</u>	<u>44,734</u>
Total Disbursements	<u>40,943</u>	<u>47,116</u>
Balance, November 30, Cash with American Gateway Bank	\$ <u>17,028</u>	\$ <u>12,934</u>

The restricted cash account was adequately funded as of November 30, 2010 and 2009.

Interest earned on restricted cash funds is not required to be restricted.

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED)

November 30, 2010 and 2009

On November 30, 2010, the natural gas system was serving 4,320 customers as compared to 4,237 on November 30, 2009. The number of customers billed during the current period and other customer data are presented below:

Gas Sales	\$ 4,410,832
MCF's of gas sold	547,736
Total number of customers' billings	51,414
Average number of customers billed per month	4,285
Average monthly revenue per customer	\$ 85.79
Average revenue per MCF billed	\$ 8.05

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

OPERATING STATISTICS (UNAUDITED) - (Cont'd)

November 30, 2010 and 2009

An analysis of gas sales and purchases for the year ended November 30, 2010 is as follows:

	<u>Amount</u>	<u>MCF</u>
Gas sales	\$ 4,410,832	547,736
Gas loss accounted for		528
Less gas purchases	<u>2,774,980</u>	<u>542,743</u>
Gross Profit on Gas Sales	\$ <u>1,635,852</u>	
MCF Gain unaccounted for in sales		5,521
Percent of Gain		<u>1.02%</u>

The water division of the West Baton Rouge Parish Public Utility was serving 1,403 customers at November 30, 2010 compared to 1,359 at November 30, 2009.

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

	<u>Placid</u>	<u>Chemical Plants</u>	<u>Others</u>
Water sales	\$ 372,508	\$ 121,631	\$ 498,090
M gallons sold	620,846	202,629	334,789
Total number of customers' billings	12	24	16,587
Average number of customers billed per month	1	2	1,382
Average monthly revenue per customer	\$ 31,042	\$ 5,068	\$ 30.03
Average revenue per M gallons	\$.60	\$.60	\$ 1.49

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

SCHEDULE OF CHANGES IN UTILITY PLANT AND EQUIPMENT

For the year ended November 30, 2010

	<u>Cost</u> <u>November 30,</u> <u>2009</u>	<u>Additions</u> <u>and</u> <u>(Transfers)</u>	<u>Deletions</u>	<u>Cost</u> <u>November 30,</u> <u>2010</u>
Gas distribution system	\$4,162,733	\$ 193,994		\$4,356,727
Water distribution system	7,253,468	238,912		7,492,380
Sewer System	9,910,362	-0-		9,910,362
Utility and sewer equipment	887,829	12,003		899,832
Office equipment	169,192	14,626		183,818
Vehicles	290,754	34,701	17,269	308,186
Buildings	113,183			113,183
Land	119,152			119,152
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>17,269</u>	<u>-0-</u>
Totals	<u>\$22,906,673</u>	<u>\$ 494,236</u>	<u>\$ 17,269</u>	<u>\$23,383,640</u>

West Baton Rouge Parish Public Utility

Port Allen, Louisiana

INSURANCE COVERAGE (UNAUDITED)

November 30, 2010

Insurance and fidelity bond coverage on November 30, 2010 were as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
February 1, 2011	Travelers Insurance Company (Automobile Insurance) Property damage	Bodily injury liability-\$1,000,000; Comprehensive, \$1,000 deductible; Uninsured motorists \$1,000,000; Collision \$5,000 deductible; \$50,000 self insured retention.
January 1, 2011	Parish Government Risk Management Agency (Workmen's Compensation)	Statutory rates, \$200,000 maximum.
February 1, 2011	Travelers Insurance Company (General Liability)	General aggregate limit, \$2,000,000; Products-completed operation aggregate, \$2,000,000; each occurrence \$1,000,000; Personal and advertising injury limit \$1,000,000; \$50,000 self insured retention.
February 8, 2011	Western Surety Co.	Public Official's Bond (Director) \$100,000.
March 20, 2011	Western Surety Co.	Position surety bond on the following: Office manager, three secretaries, meter readers; \$255,000.
February 1, 2011	Landmark American Insurance Company	Water tower coverage, coverage varies by tower, \$25,000 deductible, 90% coinsurance.



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Parish President, and the
Chairman and Members of the West
Baton Rouge Parish Council
Port Allen, Louisiana

I have audited the financial statements of West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council, as of and for the years ended November 30, 2010 and 2009, and have issued my report thereon dated May 27, 2011. I have conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the West Baton Rouge Parish Public Utility's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Baton Rouge Parish Public Utility's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Public Utility's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above. However, as discussed below, I identified certain

deficiencies in internal control over financial reporting that I considered to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SIGNIFICANT DEFICIENCIES

1. 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.

Entity Response

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. They have taken steps to compensate for this weakness. This is a repeat finding.

2. The Public Utility does not have employees with sufficient expertise and training to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This is a repeat finding.

Entity Response

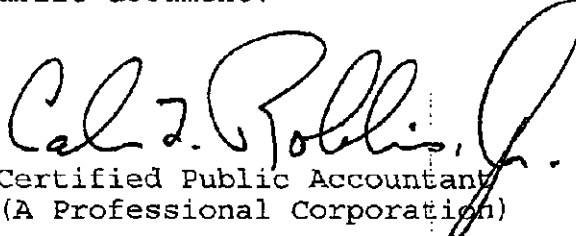
The management of the West Baton Rouge Parish Public Utility is aware of this condition, and feels hiring an employee with the requisite qualifications would be cost prohibitive. They feel the most cost effective solution is to have their external auditor assist in preparing year end financial statements in accordance with GAAP.

COMPLIANCE AND OTHER MATTERS

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

The West Baton Rouge Parish Public Utility management's responses to the deficiencies identified in our audit are described above. I did not audit the Public Utility management's responses and accordingly express no opinion on them.

This report is intended solely for the information of the management of the West Baton Rouge Parish Public Utility, the Parish President, members of the West Baton Rouge Parish Council, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountant
(A Professional Corporation)

May 27, 2011
Baton Rouge, Louisiana