

**WEST BATON ROUGE PARISH
PUBLIC UTILITY**

FINANCIAL REPORT

December 31, 2017 and December 31, 2016



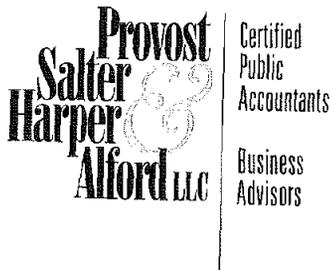
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WEST BATON ROUGE PARISH PUBLIC UTILITY

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INDEPENDENT AUDITOR'S REPORT

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of West Baton Rouge Parish Public Utility, a component unit of the West Baton Rouge Parish Council, as of and for the year ended December 31, 2017 and the thirteen months ended December 31, 2016, and the related notes to the financial statements, which collectively comprise West Baton Rouge Parish Public Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

West Baton Rouge Parish Public Utility's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the West Baton Rouge Parish Public Utility as of December 31, 2017 and December 31, 2016, and the respective changes in its financial position and its cash flows for the year and thirteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6, the schedule of funding progress for other postemployment benefits (Schedule 1), schedule of employer's proportionate share of the net pension liability (Schedule 2) and the schedule of employer's pension contributions (Schedule 3), 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. We 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Baton Rouge Parish Public Utility's basic financial statements. The accompanying financial information listed as "other supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying financial information listed as "other supplementary information" in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the

audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as "other supplementary information" in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2018 on our consideration of West Baton Rouge Parish Public Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Baton Rouge Parish Public Utility's internal control over financial reporting and compliance.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

June 27, 2018

West Baton Rouge Parish Public Utility

Management's Discussion and Analysis

December 31, 2017

The Management's Discussion and Analysis of the West Baton Rouge Parish Public Utility's (the Utility) financial performance presents a narrative overview and analysis of the Utility's financial activities for the year ended December 31, 2017. This document focuses on the current activities, resulting changes, and currently known facts in comparison with prior year's information. Please read this document in conjunction with the additional information contained in the Utility's financial statements, which begins on page 7.

FINANCIAL HIGHLIGHTS

The Utility's total net position increased by \$62,545 or .2%.

The operating revenues of the Utility decreased \$39,379 or .5%.

The operating expenses of the Utility decreased \$278,405 or 3.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, as may be applicable, and the Other Supplementary Information. Other than the MD&A, the Utility's required supplementary information includes the Schedule of Funding Progress for Other Postemployment Benefits, Schedule of Employer's Proportionate Share of Net Pension Liability and Schedule of Employer's Pension Contributions. These reports fulfill the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by the Governmental Accounting Standards Board in GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis-for State and Local Governments*.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information about the Utility's activities and financial position, in a manner similar to private-sector businesses. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows and related notes to the financial statements.

The Statement of Net Position (Statement A) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the West Baton Rouge Parish Public Utility is improving or deteriorating.

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

West Baton Rouge Parish Public Utility

Management's Discussion and Analysis

December 31, 2017

The Statement of Cash Flows (Statement C) presents information on how the Utility's cash changed as a result of current 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.

The following presents condensed financial information on the operations of the Utility:

	2017	2016	2015
Current assets	\$ 11,367,998	\$ 10,992,647	\$ 9,768,345
Restricted assets	1,096,930	919,423	680,615
Capital assets	28,398,520	28,312,135	28,046,474
Total assets	40,863,448	40,224,205	38,495,434
Deferred Outflows	748,391	1,052,484	210,196
Current liabilities	1,767,234	1,476,440	1,733,998
Noncurrent liabilities	2,753,295	2,758,190	1,808,687
Total liabilities	4,520,529	4,234,630	3,542,685
Deferred Inflows	97,393	110,687	-
Net investment in capital assets	27,709,295	27,612,372	27,326,143
Restricted for debt service	35,235	31,557	23,902
Unrestricted	9,249,387	9,287,443	7,812,900
Total net position	\$ 36,993,917	\$ 36,931,372	\$ 35,162,945
Operating revenues	\$ 7,329,334	\$ 7,368,713	\$ 8,001,950
Operating expenses	7,455,588	7,733,993	7,693,425
Operating income (loss)	(126,254)	(365,280)	308,525
Non-operating revenues (expenses)	26,981	(70,864)	(10,234)
Income (Loss) before contributions and transfers	(99,273)	(436,144)	298,291
Contributions and transfers	161,818	973,565	632,882
Change in net position	\$ 62,545	\$ 537,421	\$ 931,173

West Baton Rouge Parish Public Utility
Management's Discussion and Analysis

December 31, 2017

CAPITAL ASSETS AND DEBTS

Capital Assets

The Utility's investment in capital assets as of December 31, 2017, amounts to \$28,398,520 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and operating facilities, office furniture and equipment, and vehicles. The Utility's investment in capital assets for the current fiscal year increased by .3%.

During the current fiscal year, the Utility purchased a generator, an excavator and three pickup trucks.

	2017	2016	2015
Land and improvements	\$ 221,850	\$ 221,850	\$ 221,850
Buildings and operating facilities	437,019	433,843	434,242
Office, furniture and equipment	226,619	220,097	239,518
Natural gas system	5,292,581	5,051,408	5,051,408
Water system	20,563,419	19,705,368	19,365,194
Sewer system	19,579,463	19,567,802	18,594,237
Equipment	1,285,309	1,113,577	1,083,258
Vehicles	597,736	537,654	569,514
	48,203,996	46,851,599	45,559,221
Less Accumulated Depreciation	19,805,476	18,539,464	17,586,992
	\$ 28,398,520	\$ 28,312,135	\$ 27,972,229

Additional information on the Utility's capital assets can be found in note 4 of the financial statements.

Debts

The Utility has not financed purchases or activities through external borrowing or incurring debt, during the current fiscal year. Obligations include the sewer system revenue bonds, compensated absences earned and accumulated by employees as well as a liability recorded for other postemployment benefits and pension liabilities, which are described in the notes to the financial statements.

CONTACTING THE UTILITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If you have any questions about this report or need additional information, contact Pam Keowen, Director, West Baton Rouge Parish Public Utility. Ms. Keowen can be reached by phone at (225) 490-8520.

WEST BATON ROUGE PARISH PUBLIC UTILITY**Statements of Net Position**

December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 6,944,525	\$ 6,774,357
Investments	2,977,029	2,943,182
Accounts receivable	1,416,472	1,251,163
Accrued interest receivable	6,998	4,822
Prepaid expenses	22,974	19,123
Total current assets	<u>11,367,998</u>	<u>10,992,647</u>
Restricted Assets		
Customers' Deposits	1,050,687	877,328
Revenue bond restricted funds	46,243	42,095
Total restricted assets	<u>1,096,930</u>	<u>919,423</u>
Noncurrent Assets		
Property and equipment, net of accumulated depreciation	28,398,520	28,312,135
Total Assets	<u>40,863,448</u>	<u>40,224,205</u>
Deferred Outflow of Resources		
Total Assets and deferred outflows of resources	<u>748,391</u>	<u>1,052,484</u>
	<u>41,611,839</u>	<u>41,276,689</u>
LIABILITIES		
Current Liabilities - (Payable from Current Assets)		
Accounts payable	469,299	331,423
Accrued and withheld taxes and expenses	109,444	138,833
Miscellaneous payables	6,715	4,652
Payable to other systems and the Parish Council	231,864	203,373
Payable to the State of Louisiana	113,467	113,467
Total current liabilities (Payable from Current Assets)	<u>930,789</u>	<u>791,748</u>
Current Liabilities - (Payable from Restricted Assets)		
Accounts payable	836,445	684,692
Noncurrent Liabilities		
Sewer Revenue Bond	678,217	689,225
Accumulated unpaid vacation	128,620	148,198
Other postemployment benefits	1,389,899	1,224,303
Net pension liability	556,559	696,464
Total noncurrent liabilities	<u>2,753,295</u>	<u>2,758,190</u>
Total Liabilities	<u>4,520,529</u>	<u>4,234,630</u>
Deferred Inflow of Resources		
Total Liabilities and deferred inflow of resources	<u>97,393</u>	<u>110,687</u>
	<u>4,617,922</u>	<u>4,345,317</u>
NET POSITION		
Invested in capital assets, net of related debt	27,709,295	27,612,372
Restricted for debt services	35,235	31,557
Unrestricted	9,249,387	9,287,443
Total net position	<u>\$ 36,993,917</u>	<u>\$ 36,931,372</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Statements of Revenues, Expenses and Changes in Net Position

Year ended December 31, 2017 and thirteen
months ended December 31, 2016

	2017	2016
Operating Revenues		
Gas Sales	\$ 3,578,158	\$ 3,420,386
Water Sales	2,682,203	2,826,569
Penalties	66,010	65,002
Extension and connection charges	165,767	168,785
Sewer income	695,461	677,118
Other income	141,735	110,853
Grant Income	-	100,000
Total operating revenues	7,329,334	7,368,713
Operating Expenses		
Gas purchases	2,048,379	1,690,210
Salaries and wages	1,724,755	1,922,873
Depreciation	1,266,012	1,307,557
Meter and system repairs and supplies	306,494	849,488
Sewer expenses	186,804	115,426
Bad debts	11,614	10,665
Cathodic protection	4,974	3,461
Equipment rental, repair and service contracts	92,379	76,000
Operator qualifications	19,175	17,195
Insurance - employee benefits	423,592	479,190
Insurance and surety bonds	89,350	100,815
Miscellaneous	98,753	69,293
Office supplies and postage	85,005	94,413
Payroll taxes	26,507	30,712
Professional services	99,554	113,676
Truck and travel	62,139	49,259
Telephone and Utilities	390,262	416,276
Retirement	354,244	234,320
Other post-employment benefits	165,596	153,164
Total operating expenses	7,455,588	7,733,993
Operating Income (Loss)	(126,254)	(365,280)
Non-Operating Revenues (Expenses)		
Interest on investments and savings	54,651	34,944
Gain (Loss) on investments	-	(2,097)
Gain (Loss) on disposal of assets	-	(74,552)
Interest expense	(30,386)	(33,396)
Bad debt recoveries	2,716	4,237
	26,981	(70,864)
Income (Loss) before contributions and transfers	(99,273)	(436,144)
Capital Contributions and Transfers	161,818	973,565
Change in Net Position	62,545	537,421
Total Net Position, Beginning	36,931,372	36,393,951
Total Net Position, Ending	\$ 36,993,917	\$ 36,931,372

WEST BATON ROUGE PARISH PUBLIC UTILITY*Statements of Cash Flows**Year ended December 31, 2017 and thirteen months ended December 31, 2016*

	2017	2016
Cash Flows From Operating Activities:		
Receipts from customers	\$ 6,848,931	\$ 6,677,231
Receipts from others	141,735	210,853
Payments to suppliers and providers	(3,866,004)	(4,100,306)
Payment to employees	(1,744,333)	(1,915,407)
Net Cash Provided By (Used In) Operating Activities	1,380,329	872,371
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of assets	-	14,782
Acquisition and construction of capital assets	(1,190,581)	(763,230)
Long-Term Debt Repaid	(10,538)	(10,945)
Interest Paid	(30,386)	(33,396)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,231,505)	(792,789)
Cash Flows From Investing Activities		
Investment Expense	2,716	4,237
Interest and dividends on investments	52,475	31,955
Increase in certificates of deposit	(33,847)	(23,116)
Sale of investment securities	-	948,083
Net Cash Provided By (Used In) Investing Activities	21,344	961,159
Net Increase (Decrease) In Cash And Cash Equivalents	170,168	1,040,741
Cash and Cash Equivalents		
Beginning of year	6,774,357	5,733,616
End of year	\$ 6,944,525	\$ 6,774,357
Noncash Investing, Capital, and Financing Activities		
Interest charged to expense	\$ 30,386	\$ 33,396
Net assets contributed to the system	\$ 161,818	\$ 973,565
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income (loss)	\$ (126,254)	\$ (365,280)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,266,012	1,307,557
Increase (decrease) in assets:		
Accounts receivable	(38,723)	(1,196,068)
Prepaid expenses	(3,850)	15,874
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	137,876	165,160
Other payables	110,663	103,833
Payable to other systems	28,492	43,932
Accumulated unpaid vacation	(19,578)	7,466
OPEB and pension liability	25,691	789,897
Net Cash Provided By (Used In) Operating Activities	\$ 1,380,329	\$ 872,371

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements

December 31, 2017

1. INTRODUCTION

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The Governmental Accounting Standards Utility (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Reporting Entity. GASB Codification Section 2100 has defined the governmental reporting entity and component units that should be included within the reporting entity. The Utility is considered a component unit (enterprise fund) of the West Baton Rouge Parish Council because the Council ability to exercise oversight responsibility. The Utility has no component units. The accompanying financial statements present information only as to the transactions and the activities of the Utility.

Fund Accounting. All activities of the Utility are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Utility are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

The Utility uses the following practices in recording revenues and expenses:

Revenues

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expenses

Expenses are generally recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Cash Equivalents, and Investments. Cash and cash equivalents include petty cash, demand deposits, and certificates of deposit with original maturities of 90 days or less and are carried at cost which approximates market. U.S. treasuries and certificates of deposit with original maturities extending beyond 90 days are considered investments and are stated at fair market value.

Capitalization of Interest. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized in 2017 or 2016.

Capital Assets. Capital assets consist of utility plant, equipment, vehicles and buildings and are capitalized at historical costs. Donated capital assets are recorded at fair market value when donated. These assets, net of accumulated depreciation, are included on the Statement of Net Position. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

The useful lives are as follows:

Gas system	20-50 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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences. Full-time, permanent employees of the West Baton Rouge Parish Public Utility earn vacation leave and sick leave at various rates depending on the number of years of service. The West Baton Rouge Parish Public Utility's policy allows employees to accumulate unused sick leave on an unlimited basis and unused vacation leave up to 60 days. An employee is compensated for up to 60 days of unused vacation leave at the employee's hourly rate of pay at the time of termination. Upon an employee's retirement, sick leave, not to exceed 60 days, and vacation leave not to exceed 60 days shall be paid as severance pay. The liability for these compensated absences is recorded as long term debt in the government-wide and proprietary financial statements. However, any matured compensated absences existing at year-end which are payable to currently terminating employees are reported in the governmental funds as wages and benefits payable and on the government-wide and proprietary financial statements as the current portion of compensated absences.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Long-term Obligations. Long term obligations at December 31, 2017 and December 31, 2016, include the sewer revenue bond, compensated absences, other post-employment benefit obligations and pension liabilities.

Other Post Employment Benefit Obligations. The West Baton Rouge Parish Public Utility follows GASB Codification Section P50 *Post-employment Benefits Plans Other than Pension Plans.* This pronouncement requires the Utility to calculate and recognize a net other post-employment benefit obligation (NOPEBO) at December 31, 2017 and December 31, 2016. The

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since December 1, 2010. The West Baton Rouge Parish Public Utility makes annual contributions based upon council decisions.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System of Louisiana (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Current Year Adoption of New Accounting Standards. The West Baton Rouge Parish Public Utility was not required to adopt any new accounting standards in the current period.

Subsequent Events. In preparing these financial statements, the Utility has evaluated events and transactions for potential recognition or disclosure through June 27, 2018, which is the date the financial statements were available to be issued.

2. Deposits and Investments

Deposits. At December 31, 2017 the Utility has deposits totaling \$11,017,300 (book balances) as follows:

Demand deposits	\$ 8,040,271
Interest bearing deposits	<u>2,977,029</u>
Total	<u>\$ 11,017,300</u>

These deposits are stated at cost, which approximates market. Under State law, these deposits (or the resulting 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 or exceed 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.

Custodial credit risk is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility does not have a deposit policy for custodial credit risk. At December 31, 2017, the Utility's bank balance of \$11,242,521 was not exposed to custodial credit risk.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

Investments. At December 31, 2017 the Utility had investments in certificates of deposit.

Concentration of Credit Risk. The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools). The Parish's investment policy requires the investment portfolio to be diversified to eliminate the risk of loss of both principal and income resulting from the over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Utility will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty, or by the counterparty's trust department or agent, but not in the name of the Utility. Investments are limited by state law and the Parish investment policy.

Credit Risk. The credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations (rating agencies) such as Standard & Poor's (S & P) and Moody's.

As of December 31, 2017, all of the Utility's purchased investments were in Certificates of Deposit with local banks and are not risk rated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics.

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.

Reconciliation

In order to accurately compare the cash and investments shown on the combined balance sheet with carrying values of deposits and investments disclosed in the schedules above, the following is provided:

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

Captions in Note 2	
Petty Cash	\$ 1,184
Carrying value of bank deposits	8,040,271
Carrying value of investments	<u>2,977,029</u>
Total	<u>\$ 11,018,484</u>
<hr/>	
Captions on combined balance sheet:	
Cash and cash equivalents	\$ 6,944,525
Investments	2,977,029
Restricted cash and cash equivalents	<u>1,096,930</u>
Total	<u>\$ 11,018,484</u>

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.

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 2010. 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 December 31, 2017 and December 31, 2016 were \$14,237 and \$12,853, 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 December 31, 2017 and December 31, 2016 were \$16,003, and \$14,621, respectively. As of December 31, 2017 and December 31, 2016, 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 December 31, 2017 and December 31, 2016 were \$16,003, and \$14,621, respectively. As of December 31, 2017 and December 31, 2016, this was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$46,243 and \$42,095 at December 31, 2017 and December 31, 2016, respectively.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

4. Capital Assets

Utility capital assets consisted of the following:

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Land and improvements	\$ 221,850	\$ -	\$ -	\$ 221,850
Buildings and operating facilities	433,843	3,176	-	437,019
Office, furniture and equipment	220,097	6,521	-	226,618
Natural gas system	5,051,408	241,173	-	5,292,581
Water system	19,705,367	858,052	-	20,563,419
Sewer system	19,567,802	11,661	-	19,579,463
Equipment	1,113,577	171,732	-	1,285,309
Vehicles	537,653	60,082	-	597,735
	46,851,597	1,352,397	-	48,203,994
Less Accumulated Depreciation	18,539,462	1,266,012	-	19,805,474
	<u>\$ 28,312,135</u>	<u>\$ 86,385</u>	<u>\$ -</u>	<u>\$ 28,398,520</u>

	Balance 11/30/15	Additions	Deletions	Balance 12/31/16
Land and improvements	\$ 221,850	\$ -	\$ -	\$ 221,850
Buildings and operating facilities	434,242	-	399	433,843
Office, furniture and equipment	239,518	6,626	26,047	220,097
Natural gas system	5,051,408	-	-	5,051,408
Water system	19,365,194	432,133	91,960	19,705,367
Sewer system	18,594,237	973,565	-	19,567,802
Equipment	1,083,258	245,899	215,580	1,113,577
Vehicles	569,514	78,572	110,433	537,653
	45,559,221	1,736,795	444,419	46,851,597
Less Accumulated Depreciation	17,586,992	1,307,557	355,087	18,539,462
	<u>\$ 27,972,229</u>	<u>\$ 429,238</u>	<u>\$ 89,332</u>	<u>\$ 28,312,135</u>

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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

5. Pension Plan

Plan Description

Substantially all employees of the Utility are members of the Parochial Employees Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System was established and provided by R.S. 11:1901 of the Louisiana Revised Statute (LRS). 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.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement Benefits

Any member of Plan A who was hired before January 1, 2007 can retire providing the member meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with a minimum of twenty five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with seven (7) years of creditable service.

Eligibility for Retirement for Plan A members hired on or after January 1, 2007 is as follows:

1. Age 55 with thirty (30) years of creditable service
2. Age 62 with ten (10) years of creditable service
3. Age 67 with seven (7) years of creditable service

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's final average final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

2. Survivor Benefits

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

Any Plan A member who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

3. DROP Benefits

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan (DROP) on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of DROP must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of DROP are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

4. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

5. Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977 or the member's retirement date, if later. Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contribution for all employers are actuarially determined each year. For the year ended December 31, 2016, the actual employer contribution rate was 10.52% for Plan A. For the year ended December 31, 2016, the actuarially determined employer contribution rate was 12.50% for Plan A. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the Utility were \$203,349 for the year ended December 31, 2017.

In accordance with state statute, the System receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Utility reported a liability of \$556,559 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Utility's proportion of the Net Pension Liability was based on a projection of the Utility's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year actuarially determined. At December 31, 2016, the Utility's proportion was .270238%, which was an increase of .005653% from its proportion measured as of December 31, 2015.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

For the year ended December 31, 2017, the Utility recognized pension expense of \$330,589 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$7,525.

At December 31, 2017, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (97,393)
Changes of assumptions	105,666	-
Net difference between projected and actual earnings on pension plan investments	431,910	-
Changes in proportion and differences between City contributions and proportionate share of contributions	7,466	-
City contributions subsequent to the measurement date	203,349	-
Total	<u>\$ 748,391</u>	<u>\$ (97,393)</u>

\$203,349 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS
2018	\$ 166,920
2019	170,344
2020	118,303
2021	(11,667)

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016, is as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining	
Service Lives	4 years
Investment Rate of Return	7.00% net of investment expense
Salary Increases	5.25% (2.75% Inflation, 2.50% Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Inflation Rate	2.5%

The discount rate used to measure the total pension liability was 7.00% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top down), a treasury yield curve approach (bottom up) and an equity building block model (bottom up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.0% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	<u>100%</u>	<u>5.66%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u><u>7.66%</u></u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Utility's proportionate share of the Net Pension Liability using the discount rate of 7.00%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current rate:

	Changes in Discount Rate-Plan A		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$1,664,891	\$ 556,559	\$ (380,570)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS 2016 Comprehensive Annual Financial Report at www.persla.org, or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Payables to the Pension Plan

Included in accrued expense liabilities is \$27,210 payable to the System which was remitted subsequent to December 31, 2017.

6. West Baton Rouge Parish Council

Garbage Billing Fees. The 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 \$29,826 and \$31,172 for the years ended December 31, 2017 and 2016, respectively, for providing this service. In addition to the per customer fee, the Council paid the Utility \$9,500 and \$9,500 in the years ended December 31, 2017 and 2016, respectively, to help defray the costs associated with the collection of garbage and trash. The Utility owed the Council \$140,513 and \$142,682 for garbage fees collected and other amounts collected but not remitted to the Council at December 31, 2017 and 2016, respectively.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

7. Accounts Receivable

Accounts receivable at December 31, 2017 and 2016 was made up of the following:

	2017	2016
Customer Accounts:		
Billed	\$ 1,080,466	\$ 1,009,387
Unbilled	333,006	238,776
Total	1,413,472	1,248,163
Less allowance for doubtful accounts	(3,000)	(3,000)
Net	\$ 1,416,472	\$ 1,251,163

8. Other Income

Other income for the years ended December 31, 2017 and 2016 was composed of the following:

	2017	2016
Service charges	\$ 46,308	\$ 61,753
Charges to other entities	18,277	-
Garbage billing and service fees	30,427	32,172
Miscellaneous income	37,223	7,428
Council payroll assistance	9,500	9,500
Total	\$ 141,735	\$ 110,853

9. Accumulated Unpaid Vacation

The Utility has the following policy relating to vacation:

- One week of vacation after six months of service
- Two weeks of vacation after one to five years of service.
- Three weeks of vacation after five to fifteen years of service.
- Four weeks of vacation after fifteen to twenty years of service.
- Five weeks of vacation after twenty or more years of service.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

Each employee accrues annual leave on January 1 of each year for that year. Employees can accumulate up to 360 hours of unused vacation.

During the year ended December 31, 2017, employees earned approximately \$96,337 of vacation pay and used approximately \$115,915. As of December 31, 2017 and 2016, employees of the Utility had accumulated and vested \$128,620 and \$148,198, respectively, of vacation benefits.

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

10. Current Liabilities Payable from Restricted Assets

The following current liabilities were payable from restricted assets as of December 31, 2017 and 2016:

	2017	2016
Customer deposits	\$ 824,280	\$ 672,977
Revenue bond current maturity	12,165	11,715
	<u>\$ 836,445</u>	<u>\$ 684,692</u>

11. Payable to State of Louisiana

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 of the Balance Sheet and \$84,433 was a grant from DOTD.

12. Other Post-Employment Benefits

Other Post-Employment Benefits (OPEB). All classified and unclassified employees of the 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 Utility's OPEB plan is a single-employer defined benefit plan. The OPEB plan does not issue a stand-alone financial report. The Utility currently offers a HDHP and PPO plan to all full-time employees, as well as retired and retirement eligible employees. All retirees

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

age 65 or 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 participants in the HDHP. The Utility pays 100% of the premiums for all full-time employees and retirees and retirement eligible employees. The Utility also contributes to the participants that utilize the HSA as follows:

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

Additionally, the Utility pays 50% for a life insurance policy for all full-time and retired employees who wish to participate. Eligible retirees are provided a basic life insurance benefit with a policy amount of \$25,000. The amount decreases to \$5,000 at age 65, then to \$1,000 at age 70.

Funding Policy. Effective with the Fiscal Year beginning December 1, 2010, 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 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 December 31, 2017 and 2016, the plan was funded by the Utility 100% for the health insurance premiums and 50% for life insurance premiums. Additionally, the Utility 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 December 31, 2017 and the thirteen months ended December 31, 2016 and the years ended November 30, 2015, 2014, 2013, 2012, 2011 and 2010 totaled \$112,752, \$107,950, \$122,599, \$87,068, \$92,210, \$88,663, \$77,116, and \$44,376, respectively. The only contributions required by the retirees would be for their 50% match on the life insurance.

Annual OPEB Cost and Net OPEB Obligations. The Utility's annual OPEB cost (expense) was calculated based on the annual required contribution 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. The ARC was calculated as part of the January 1, 2017 actuarial valuation performed by an outside consultant. The following table shows the government's annual OPEB cost for the year ended December 31, 2017 and the thirteen months ended December 31, 2016.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

	2017	2016
Annual required contribution	\$ 271,048	\$ 255,554
Interest on net OPEB obligation	55,094	41,968
ARC Adjustment	(47,794)	(36,408)
Annual OPEB cost (expense)	278,348	261,114
Less contributions made	(112,752)	(107,950)
Increase in net OPEB obligation	165,596	153,164
Net OPEB obligation, beginning of the year	1,224,303	1,071,139
Net OPEB obligation, end of the year	\$ 1,389,899	\$ 1,224,303

Trend information for the OPEB plan is as follows:

Year	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Increase Net OPEB Obligation
2017	\$ 278,348	41%	\$ 165,596
2016	261,114	41%	153,164
2015	261,114	47%	138,515

Funding Status and Funding Progress. As of January 1, 2017 the most current actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,923,169 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 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.

The projected unit cost was used for the January 1, 2017 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% investment rate of return compounded

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

annually. Life expectations were based on the RPH 2014 Mortality Tables combined table M/F Projection MP 2017. Termination rates for withdrawal other than death and retirement rates vary by years of service ranging from 9% at 5 years, 4% at 10 years and 1% at 20 years. The annual termination probability is dependent on an employee's years of service and assumes Public Utility's employees are part of "Plan A".

The Plan assumes that 100% of all employees and their dependents who are eligible for retiree benefits participate in the post-requirement benefits plan. Future pre-65 retirees and their dependents are assumed to continue to enroll in their current plans and choose the current coverage level upon retirement. If employees are currently not enrolled, it is assumed that all future pre-Medicare retirees will enroll in the Humana HDHP Plan. Also, 50% of employees that are not currently enrolled are assumed to be married at retirement with males being three years older than females. Employees that are currently enrolled are assumed to choose the same health coverage level upon retirement. The Health Care Cost Trend is assumed at a rate of 8.00% for 2017, grading down to a level rate of 5.00% in 2023 and after, level 5.00% for the Medicare Supplement.

The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is a level period for 30 years.

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 December 31, 2017 or 2016.

13. Related Party Transactions

In addition to the transactions discussed in Note 6 to these financial statements the Utility had dealings with and collected sewer user fees for two municipalities in West Baton Rouge Parish.

The Public Utility collected sewer user fees for the Town of Addis in 2017 and 2016. At December 31, 2017 and 2016, the Public Utility owed the Town of Addis, \$69,720 and \$38,156, respectively.

The Public Utility collected sewer user fees for the Town of Brusly in 2017 and 2016. At December 31, 2017 and 2016, the Public Utility owed the Town of Brusly \$21,631 and \$22,536, respectively.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

14. Major Customers and Credit Concentrations

The West Baton Rouge Parish Public Utility has a few customers who provide significant amounts of its revenue and compose a significant amount of its accounts receivable balances as follows:

	Water Sales 2017	Water Sales 2016	Accounts Receivable 2017	Accounts Receivable 2016
Customer A	16.1%	16.8%	2.6%	3.0%
	Gas Sales 2017	Gas Sales 2016	Accounts Receivable 2017	Accounts Receivable 2016
Customer B	19.1%	3.9%	7.3%	8.7%

Accounts receivable are subject to a concentration of credit risk because of the limited area served by the Utility.

15. Deferred Compensation Plan

Certain employees of the 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 Utility does not contribute to the plan.

16. Capital Contributions and Transfers

Capital contributions and transfers for the year ended December 31, 2017 and the thirteen months ended December 31, 2016 are as follows:

	2017	2016
From the Parish Council:		
Water improvements	\$ -	\$ 973,565
From developers:		
Gas, Water & Sewer system improvements	161,818	-
	<u>\$ 161,818</u>	<u>\$ 973,565</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

17. Litigation and Claims

There was no pending litigation at December 31, 2017.

18. 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 2010, the Sewer System was completed and the Parish Council transferred the completed improvements to the Public Utility.

The Sewer Revenue Bond payable at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</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 providing sewer service.	\$ 689,225	\$ 699,764
Less current portion	<u>11,008</u>	<u>10,539</u>
Long term portion	<u>\$ 678,217</u>	<u>\$ 689,225</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2017

The annual requirements to amortize the revenue bond payable as of December 31, 2017, are as follows:

Year ending December 31,	Principal	Interest	Total
2018	\$ 11,008	\$ 29,935	\$ 40,943
2019	11,500	29,443	40,943
2020	12,013	28,930	40,943
2021	12,549	28,394	40,943
2022	13,109	27,834	40,943
2023-2027	74,864	129,850	204,714
2028-2032	93,133	111,581	204,714
2033-2037	115,860	88,854	204,714
2038-2042	144,132	60,582	204,714
2043-2047	179,304	25,410	204,714
2048	21,753	299	22,052
Totals	\$ 689,225	\$ 561,112	\$ 1,250,337

19. Reclassifications

Certain items have been reclassified from the prior year for comparative purposes. These classifications affect neither net assets nor the change in net assets of the West Baton Rouge Parish Public Utility.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Required Supplementary Information

December 31, 2017

WEST BATON ROUGE PARISH PUBLIC UTILITY*Schedule of Funding Progress for Postemployment Benefits**Year ended December 31, 2017*

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
11/30/2015	12/31/2015	\$ -	\$ 3,632,315	\$ 3,632,315	0.00%	\$ 1,611,519	225.40%
12/31/2016	12/31/2015	\$ -	\$ 3,632,315	\$ 3,632,315	0.00%	\$ 1,835,105	197.93%
12/31/2017	12/31/2017	\$ -	\$ 3,923,169	\$ 3,923,169	0.00%	\$ 1,725,844	227.32%

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Employer's Proportionate Share of the Net Pension Liability

Year ended December 31, 2017

Fiscal Year*	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered-Employee Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
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PERS:

2017	0.0270%	\$ 556,559	\$ 1,626,791	34.21%	94.15%
2016	0.0265%	\$ 696,464	\$ 1,723,594	40.41%	92.23%
2015	0.2185%	\$ 59,731	\$ 1,517,028	3.94%	99.15%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available.

* The amounts presented have a measurement date of December 31 of the previous fiscal year-end.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Employer's Pension Contributions

Year ended December 31, 2017

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered' Employee Payroll
<u>PERS</u>					
2017	\$ 203,349	\$ 203,349	\$ -	\$ 1,626,791	12.50%
2016	\$ 225,881	\$ 225,881	\$ -	\$ 1,723,594	13.11%
2015	\$ 220,511	\$ 220,511	\$ -	\$ 1,517,027	14.54%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available.

WEST BATON ROUGE PARISH PUBLIC UTILITY

*Notes to Required Supplementary Schedule
of Employer's Proportionate Share of the Net Pension
Liability and Schedule of Employer's Pension Contributions*

December 31, 2017

PERS

Changes of Benefit Terms

- There were no changes in benefit terms for the year ended December 31, 2017.

Changes of Assumptions

- There were no changes of benefit assumptions for the year ended December 31, 2017.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Other Supplementary Information

December 31, 2017

WEST BATON ROUGE PARISH PUBLIC UTILITY***Schedule of Changes in Sewer Revenue
Bond Restricted Funds******Year ended December 31, 2017 and Thirteen
Months ended December 31, 2016***

	2017	2016
Beginning balance	\$ 42,095	\$ 37,637
Additions		
Transfer from Revenue account	45,090	48,813
Total Cash Available	<u>87,185</u>	<u>86,450</u>
Disbursements		
Bond Principal paid	10,538	10,945
Bond Interest paid	30,404	33,410
Total Disbursements	<u>40,942</u>	<u>44,355</u>
Balance, Ending	<u>\$ 46,243</u>	<u>\$ 42,095</u>

The restricted cash account was adequately funded as of December 31, 2017 and 2016.

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

WEST BATON ROUGE PARISH PUBLIC UTILITY**Operating Statistics****Year ended December 31, 2017 and
Thirteen Months ended December 31, 2016**

	2017	2016
Sewer		
Residential customers	1,605	1,421
Commercial customers	128	118
Total	1,733	1,539
Natural Gas		
Customers	5,232	5,077
Sales	\$ 3,578,158	\$ 3,420,386
Purchases	2,048,379	1,690,210
Gross Profit on sales	\$ 1,529,779	\$ 1,730,176
MCF's of gas sold	583,431	563,911
Total number of customer billings	61,906	64,967
Average number of customers billed per month	5,159	5,414
Average monthly revenue per customer	\$ 57.80	\$ 52.65
Average revenue per MCF billed	\$ 6.13	\$ 6.07

WEST BATON ROUGE PARISH PUBLIC UTILITY

Operating Statistics, continued

*Year ended December 31, 2017 and Thirteen
Months ended December 31, 2016*

	Year ended December 31, 2017			Total
	Placid	Chemical Plants	Others	2017
Water				
Sales	\$ 432,658	\$ 224,813	\$ 2,024,732	\$ 2,682,203
M gallons sold	721,067	368,150	1,053,267	2,142,484
Total number of customer billings	12	36	99,590	99,638
Average number of customers billed per month	1	3	8,299	8,303
Average monthly revenue per customer	\$ 36,055	\$ 6,245	\$ 20.33	\$ 26.92
Average revenue per M gallons	\$ 0.60	\$ 0.61	\$ 1.92	\$ 1.25
	Placid	Chemical Plants	Others	Total
				2016
Sales	\$ 473,158	\$ 213,509	\$ 2,139,902	\$ 2,826,569
M gallons sold	788,597	348,693	1,107,681	2,244,971
Total number of customer billings	13	27	104,650	104,690
Average number of customers billed per month	1	2	8,050	8,053
Average monthly revenue per customer	\$ 36,397	\$ 7,908	\$ 20.45	\$ 27.00
Average revenue per M gallons	\$ 0.60	\$ 0.61	\$ 1.93	\$ 1.26

WEST BATON ROUGE PARISH PUBLIC UTILITY*Schedule of Per Diem Paid to Board Members**Year Ended December 31, 2017*

	Amount
Compensation for the year ended December 31, 2017:	
Gary Spillman, Chairperson	\$ 15,600
Kirk Allain	14,400
Charlene Gordon	14,400
Ricky Loupe	14,400
Phil Porto	14,400
Edward Robertson	14,400
Chris Kershaw	14,400
Naomi Fair	14,400
Barry Huggins	14,400
	<u>\$ 130,800</u>

Council members receive \$1,200 per month and the chairperson receives \$1,300 per month. The Council is paid by the West Baton Rouge Parish Council. The Council is audited by other auditors.

WEST BATON ROUGE PARISH PUBLIC UTILITY*Schedule of Compensation Paid to Chief Executive**Year Ended December 31, 2017*

Compensation paid to the West Baton Parish
Public Utility Director:

	<u>Daryl Babin</u>	<u>Pam Keowen</u>	<u>Total</u>
Salary	\$ 102,634	\$ 36,954	\$ 139,588
Benefits-Insurance	12,931	2,586	15,517
Benefits-Retirement	10,923	4,067	14,990
Vehicle Provided	526	1,600	2,126
Total compensation	<u>\$ 127,014</u>	<u>\$ 45,207</u>	<u>\$ 172,221</u>

Note: Daryl Babin was director from January 1, 2017 to September 30, 2017.
Pam Keowen became director upon his retirement.



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**INDEPENDENT AUDITOR'S 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***

West Baton Rouge Parish Public Utility
Port Allen, Louisiana

We have audited, 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, the financial statements of business type activities of West Baton Rouge Parish Public Utility, a component unit of the Parish of West Baton Rouge, Louisiana, as of and for the year ended December 31, 2017 and the thirteen months ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the West Baton Rouge Parish Public Utility's basic financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Baton Rouge Parish Public Utility's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of the West Baton Rouge Parish Public Utility's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2017-001, and 2017-002)

A significant deficiency is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Baton Rouge Parish Public Utility's financial statements are free of material misstatement, we 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

West Baton Rouge Parish Public Utility's Response to Findings

West Baton Rouge Parish Public Utility's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. West Baton Rouge Parish Public Utility's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC



June 27, 2018

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Findings and Responses, Continued

December 31, 2017

Section I- Internal Control Findings

Finding 2017-001

Material Weakness in Internal Control over Financial Reporting—Monthly Account Reconciliations

Criteria: The Utility should have procedures in place to reconcile all subsidiary ledgers to the general ledger monthly.

Condition: Some subsidiary ledgers do not reconcile to the general ledger.

Context: We observed that subsidiary ledgers are not reconciled monthly to the general ledger.

Potential Effect: If monthly reconciliations are not prepared, errors are not identified and corrected in a timely manner and fraud related to the utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause: Monthly reconciliations have not been prepared.

Recommendation: Management should prepare monthly reconciliations of utility cash and receivables subsidiary ledgers to the general ledger.

View of Responsible Official: We recognize this condition and we will take steps to rectify the situation immediately.

Finding 2017-002

Material Weakness in Internal Control over Financial Reporting—Preparation of Financial Statements

Criteria: Generally accepted accounting principles (GAAP) required that management prepare financial statements.

Condition: The Public Utility does not have employees with sufficient expertise and training to prepare financial statements in accordance with GAAP.

Context: Management is unable to prepare financial statements without outside assistance.

Potential Effect: Without financial statements prepared in accordance with GAAP there is a risk of errors or fraud occurring and not being detected in a timely manner.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Findings and Responses, Continued

December 31, 2017

Cause: The Public Utility does not employ individuals with sufficient expertise and training to prepare financial statements in accordance with GAAP.

Recommendation: Management and the board should consider the risks associated with not employing an individual with the expertise and training needed to prepare financial statements in accordance with GAAP.

View of Responsible Official: The Public Utility's management is aware of this condition, and believes hiring an employee with the requisite qualifications would be cost prohibitive. They believe the most cost-effective solution is to have their external auditor assist in drafting year-end financial statements in accordance with GAAP. The Public Utility is also considering purchasing accounting software currently used by the West Baton Rouge Parish Government. This software will be more conducive to preparing financial statements and utilizing accounting resources from West Baton Rouge Parish Government.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Prior Year Findings

December 31, 2017

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Status of the Finding	Current Year Finding Ref No.
2016-001	2015	Inadequate segregation of duties	Resolved	none
2016-002	2015	Unable to prepare financial statements	Unresolved	2017-002
2016-003	2016	State Bid Law Violation	Resolved	none

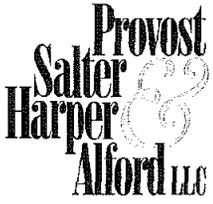
**INDEPENDENT
ACCOUNTANT'S REPORT
ON THE APPLICATION
OF AGREED-UPON PROCEDURES**

West Baton Rouge Parish Public Utility

December 31, 2017



8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board and Management
West Baton Rouge Parish Public Utility

We have performed the procedures enumerated below, which were agreed to by the West Baton Rouge Parish Public Utility and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2017 through December 31, 2017. The entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

Procedure 1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable.

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls and checks to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts**, including receiving, recording, and preparing deposits.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings:

No exceptions noted.

Board

Procedure 2: Obtain and review board/committee minutes for the period and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Findings:

No exceptions noted.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting

minutes for at least one board meeting during the period reflect that the board is monitoring the plan.

Findings:

No exceptions noted.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the period.

Findings:

No exceptions noted.

Bank Reconciliations

Procedure 3: Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We obtained a listing of 5 bank accounts and representation that the list is complete.

Procedure 4: Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the period and report whether:

- a) Bank reconciliations have been prepared;

Findings:

One of the bank accounts selected for testing was not reconciled to the general ledger.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation

Findings:

Bank reconciliations did not include evidence that a member of management or a board member has reviewed each bank reconciliation.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the period.

Findings:

Management did not have documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of December 31, 2017.

Collections

Procedure 5: Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Cash is collected at the main office in Port Allen and a satellite office in Brusly.

Procedure 6: Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Findings:

No exceptions noted.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Findings:

No exceptions noted.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings:

17 deposits totaling \$66,614 were not made within one day of collection. Collections in these deposits range from 2 to 6 days before deposit.

Procedure 7: Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings:

No exceptions noted.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

Procedure 8: Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We obtained a listing of entity disbursements from management.

Procedure 9: Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

From the population of 758 disbursements, a random sample of 25 cash disbursements totaling \$99,749 was selected for testing.

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Findings:

No exceptions noted.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Findings:

No exceptions noted.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings:

No exceptions noted.

Procedure 10: Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Findings:

Entity policies do not address whether a person responsible for processing payments is prohibited from adding vendors to the disbursement system.

Procedure 11: Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Findings:

No exceptions noted.

Procedure 12: Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Findings:

No exceptions noted.

Procedure 13: If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings:

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Procedure 14: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We obtained a listing of active credit cards, bank debit, P-cards, and fuel cards.

Procedure 15: Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The entity has 3 active credit cards. We selected all 3 for testing.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Findings:

No exceptions noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Findings:

No exceptions noted.

Procedure 16: Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Findings:

No exceptions noted.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Findings:

No exceptions noted.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings:

No exceptions noted.

Travel and Expense Reimbursement

Procedure 17: Obtain from management a listing of all travel and related expense reimbursements, by person, during the period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We obtained a listing of all travel and related expense reimbursements, by person, during the period.

Procedure 18: Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Findings:

No exceptions noted.

Procedure 19: Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

Expenses for all employees totaled \$859.

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#17 above) and report each reimbursement that exceeded those rates.

Findings:

One employee was reimbursed for meals during non-overnight travel days. Per entity policies, business meals purchased during single day travel are not eligible for reimbursement.

The Utility had one reimbursement for 2 nights of lodging at a designated conference hotel in which the nightly rate exceeded the GSA rate by \$38 per night.

Note: The Utility's travel policy states that the Director of Utilities has the authority to approve the actual cost of conference lodging when the traveler is staying at the designated conference hotel.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Findings:

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings:

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

No exceptions noted.

Contracts

Procedure 20: Obtain a listing of all contracts in effect during the period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We obtained a listing of all contracts in effect during the period, totaling \$2,100,008.

Procedure 21: Using the listing above, select the five contract "vendors" that were paid the most money during the period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Findings:

No exceptions noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Findings:

No exceptions noted

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Findings:

No exceptions noted.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Findings:

No exceptions noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Findings:

No exceptions noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings:

No exceptions noted.

Payroll and Personnel

Procedure 22: Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Findings:

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the period and report whether those changes were approved in writing and in accordance with written policy.

Findings:

No exceptions noted.

Procedure 23: Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the period), and:

We selected the pay period ending September 14, 2017 for testing. We randomly selected 25 employees/officials for testing.

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Findings:

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Findings:

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings:

No exceptions noted.

Procedure 24: Obtain from management a list of those employees/officials that terminated during the period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Findings:

No exceptions noted.

Procedure 25: Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings:

No exceptions noted.

Ethics (excluding nonprofits)

Procedure 26: Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Findings:

No exceptions noted.

Procedure 27: Inquire of management whether any alleged ethics violations were reported to the entity during the period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings:

No exceptions noted.

Debt Service (excluding nonprofits)

Procedure 28: If debt was issued during the period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Findings:

No debt was issued during the period. Therefore, this procedure was not applicable.

Procedure 29: If the entity had outstanding debt during the period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Findings:

No exceptions noted.

Procedure 30: If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the period. Also, report any millages that continue to be received for debt that has been paid off.

Findings:

The entity did not have tax millages related to debt service. Therefore, this procedure was not applicable.

Other

Procedure 31: Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Findings:

No exceptions noted.

Procedure 32: Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings:

No exceptions noted.

Procedure 33: If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings:

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC



June 27, 2018



CONSERVE
ENERGY

WEST BATON ROUGE PARISH
NATURAL GAS AND WATER SYSTEMS

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CONSERVE
ENERGY

June 26, 2018

Management's Response to AUP Findings for 2017

Procedure 4 a: The one bank account that was not reconciled to general ledger will be done monthly going forward.

Procedure 4b: A member of management will start reviewing and signing the bank reconciliations going forward.

Procedure 4c: We have adjusted all reconciling items that have been outstanding over 6 months and will continue to review and correct any such items in the future.

Procedure 10: We will add to our policy on processing payments to have a member of management who is not involved in processing payments add any new vendors to the disbursement system.

Procedure 19a: We agree one employee was reimbursed for meals in error. Also, one employee attended the Louisiana Public Risk Management Association (PRIMA) conference, and we prepaid the conference registration, fees and hotel. The hotel rate was approved by the director of the system as a reasonable and necessary expense.

Pam Keowen, Director of Utilities
West Baton Rouge Parish
Natural Gas & Water Systems