

**WEST BATON ROUGE PARISH  
PUBLIC UTILITY**

**FINANCIAL REPORT**

**December 31, 2020 and 2019**



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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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*December 31, 2020*

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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 years ended December 31, 2020 and 2019, 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, 2020 and 2019, and the respective changes in its financial position and its cash flows for the years 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 7, the schedule of changes in net OPEB liability and related ratios (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 October 29, 2021 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



October 29, 2021  
Baton Rouge, Louisiana

## **West Baton Rouge Parish Public Utility**

### **Management's Discussion and Analysis**

**December 31, 2020**

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, 2020. 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 8.

#### ***FINANCIAL HIGHLIGHTS***

The Utility's total net position increased by \$1,091,232 or 2.8 %.

The operating revenues of the Utility decreased \$468,258 or 6.3%.

The operating expenses of the Utility decreased \$165,599 or 2.1%.

#### ***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 Changes in Net OPEB Liability and Related Ratios, 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, 2020**

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:

	2020	2019	2018
Current assets	\$ 8,007,229	\$ 9,697,706	\$ 12,039,734
Restricted assets	1,166,298	1,068,004	976,149
Capital assets	39,021,910	35,883,599	32,979,382
Total assets	48,195,437	46,649,309	45,995,265
Deferred Outflows	1,265,608	2,021,508	433,704
Current liabilities	2,555,323	2,391,494	1,961,525
Noncurrent liabilities	5,827,512	7,391,892	4,904,529
Total liabilities	8,382,835	9,783,386	6,866,054
Deferred Inflows	1,237,156	137,609	580,206
Net investment in capital assets	38,367,210	35,216,884	32,301,166
Restricted for debt service	60,005	55,649	50,748
Unrestricted	1,413,839	3,477,289	6,630,795
Total net position	\$ 39,841,054	\$ 38,749,822	\$ 38,982,709
Operating revenues	\$ 6,950,994	\$ 7,419,252	\$ 7,457,858
Operating expenses	7,790,224	7,955,823	7,547,027
Operating income (loss)	(839,230)	(536,571)	(89,169)
Non-operating revenues (expenses)	41,765	147,162	122,239
Income (Loss) before contributions and transfers	(797,465)	(389,409)	33,070
Contributions and transfers	1,888,697	156,522	4,770,237
Change in net position	\$ 1,091,232	\$ (232,887)	\$ 4,803,307

**West Baton Rouge Parish Public Utility**

**Management's Discussion and Analysis**

**December 31, 2020**

***CAPITAL ASSETS AND DEBTS***

**Capital Assets**

The Utility's investment in capital assets as of December 31, 2020, amounts to \$39,021,910 (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 8.75%.

	2020	2019	2018
Land and improvements	\$ 240,250	\$ 240,250	\$ 240,250
Buildings and operating facilities	509,374	509,374	521,091
Natural gas system	5,883,909	5,697,454	5,507,606
Water system	28,328,666	21,480,466	21,083,764
Sewer system	24,609,664	24,244,115	24,210,365
Office, furniture and equipment	1,576,871	1,429,123	1,544,062
Vehicles	862,069	668,821	597,735
Construction in progress	496,963	3,686,234	374,760
	<u>62,507,766</u>	<u>57,955,837</u>	<u>54,079,633</u>
Less Accumulated Depreciation	<u>23,485,856</u>	<u>22,072,238</u>	<u>21,100,251</u>
	<u>\$ 39,021,910</u>	<u>\$ 35,883,599</u>	<u>\$ 32,979,382</u>

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.



**West Baton Rouge Parish Public Utility**

**Management's Discussion and Analysis**

**December 31, 2020**

**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 Adrian Genre, Director, West Baton Rouge Parish Public Utility. Mr. Genre can be reached by phone at (225) 490-8520.

**WEST BATON ROUGE PARISH PUBLIC UTILITY***Statements of Net Position**December 31, 2020 and 2019*

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,506,617	\$ 5,262,921
Investments	3,111,598	3,065,490
Accounts receivable	1,378,879	1,340,074
Accrued interest receivable	1,773	6,551
Prepaid expenses	8,362	22,670
Total current assets	8,007,229	9,697,706
<b>Restricted Assets</b>		
Customers' Deposits	1,106,293	1,012,355
Revenue bond restricted funds	60,005	55,649
Total restricted assets	1,166,298	1,068,004
<b>Noncurrent Assets</b>		
Property and equipment, net of accumulated depreciation	39,021,910	35,883,599
Total Assets	48,195,437	46,649,309
<b>Deferred Outflow of Resources</b>	1,265,608	2,021,508
Total Assets and deferred outflows of resources	49,461,045	48,670,817
<b>LIABILITIES</b>		
<b>Current Liabilities - (Payable from Current Assets)</b>		
Accounts payable	953,227	907,521
Accrued and withheld taxes and expenses	113,806	108,367
Payable to other systems and the Parish Council	254,881	236,733
Payable to the State of Louisiana	113,467	113,467
Total current liabilities (Payable from Current Assets)	1,435,381	1,366,088
<b>Current Liabilities - (Payable from Restricted Assets)</b>		
Accounts payable	1,119,942	1,025,406
<b>Noncurrent Liabilities</b>		
Sewer Revenue Bond	642,150	654,783
Accumulated unpaid vacation	139,172	140,043
Other postemployment benefits	5,033,392	5,430,581
Net pension liability	12,798	1,166,485
Total noncurrent liabilities	5,827,512	7,391,892
Total Liabilities	8,382,835	9,783,386
<b>Deferred Inflow of Resources</b>	1,237,156	137,609
Total Liabilities and deferred inflow of resources	9,619,991	9,920,995
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	38,367,210	35,216,884
Restricted for debt services	60,005	55,649
Unrestricted	1,413,839	3,477,289
Total net position	\$ 39,841,054	\$ 38,749,822

**WEST BATON ROUGE PARISH PUBLIC UTILITY****Statements of Revenues, Expenses and  
Changes in Net Position**

Years Ended December 31, 2020 and 2019

	2020	2019
<b>Operating Revenues</b>		
Gas Sales	\$ 2,948,988	\$ 3,518,262
Water Sales	2,839,255	2,755,330
Penalties	77,586	83,711
Extension and connection charges	162,203	178,854
Sewer income	750,298	720,490
Other income	153,214	133,405
Grant Income	19,450	29,200
Total operating revenues	<u>6,950,994</u>	<u>7,419,252</u>
<b>Operating Expenses</b>		
Gas purchases	1,403,716	1,830,359
Salaries and wages	2,062,918	1,860,578
Depreciation	1,413,618	1,421,059
Meter and system repairs and supplies	240,799	233,322
Sewer expenses	228,944	260,489
Bad debts	6,839	8,547
Cathodic protection	6,849	19,801
Equipment rental, repair and service contracts	400,828	130,860
Operator qualifications	11,750	11,840
Insurance - employee benefits	598,007	568,743
Insurance and surety bonds	130,242	136,912
Miscellaneous	23,165	105,165
Office supplies and postage	108,229	93,270
Payroll taxes	31,717	29,176
Professional services	78,829	93,057
Truck and travel	65,320	72,368
Telephone and Utilities	410,034	399,955
Retirement	250,230	454,604
Other post-employment benefits	318,190	225,718
Total operating expenses	<u>7,790,224</u>	<u>7,955,823</u>
<b>Operating Income (Loss)</b>	<u>(839,230)</u>	<u>(536,571)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest on investments and savings	70,674	190,135
Gain (Loss) on disposal of assets	-	(13,550)
Interest expense	(28,909)	(29,423)
	<u>41,765</u>	<u>147,162</u>
<b>Income (Loss) before contributions and transfers</b>	<u>(797,465)</u>	<u>(389,409)</u>
Capital Contributions and Transfers	1,888,697	156,522
<b>Change in Net Position</b>	<u>1,091,232</u>	<u>(232,887)</u>
<b>Total Net Position, Beginning</b>	<u>38,749,822</u>	<u>38,982,709</u>
<b>Total Net Position, Ending</b>	<u>\$ 39,841,054</u>	<u>\$ 38,749,822</u>

**WEST BATON ROUGE PARISH PUBLIC UTILITY***Statements of Cash Flows**Years Ended December 31, 2020 and 2019*

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 6,645,587	\$ 7,345,496
Receipts from others	172,664	162,605
Payments to suppliers and providers	(3,836,385)	(3,792,278)
Payment to employees	(2,063,789)	(1,853,690)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>918,077</b>	<b>1,862,133</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from sale of assets	-	6,915
Acquisition and construction of capital assets	(2,663,232)	(4,189,219)
Long-Term Debt Repaid	(11,584)	(11,008)
Interest Paid	(28,909)	(29,423)
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<b>(2,703,725)</b>	<b>(4,222,735)</b>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends on investments	68,901	189,190
Increase in certificates of deposit	(39,557)	(39,340)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>29,344</b>	<b>149,850</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(1,756,304)</b>	<b>(2,210,752)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	5,262,921	7,473,673
End of year	\$ 3,506,617	\$ 5,262,921
<b>Noncash Investing, Capital, and Financing Activities</b>		
Interest charged to expense	\$ 28,909	\$ 29,423
Net assets contributed to the system	\$ 1,888,697	\$ 156,522
<b>Reconciliation of Operating Income to Net Cash Provided</b>		
<b>By Operating Activities:</b>		
Operating income (loss)	\$ (839,230)	\$ (536,571)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,413,618	1,421,059
Increase (decrease) in assets:		
Accounts receivable	(137,099)	83,948
Prepaid expenses	14,308	(4,241)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	45,706	317,802
Other payables	98,926	104,239
Payable to other systems	18,148	7,003
Accumulated unpaid vacation	(871)	6,888
OPEB and pension liability	304,571	462,006
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ 918,077</b>	<b>\$ 1,862,133</b>

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements

December 31, 2020

## 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.

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.

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

## 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.

**Restricted Assets.** Restricted assets include certain cash which are legally restricted as to their use. The restricted cash is held separately and restricted according to the applicable bond indenture agreements or held in trust for customer utility meter deposits.

**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.

The useful lives are as follows:

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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.

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

**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, 2020 and December 31, 2019, 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 Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This pronouncement requires the Utility to calculate and recognize other post-employment benefit obligations (OPEB) at December 31, 2020 and December 31, 2019. OPEB is, in general, the cumulative difference between the actuarial required contribution and the actual contributions. 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.

**Deferred Outflows of Resources and Deferred Inflows of Resources.** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Subsequent Events.** In preparing these financial statements, the Utility has evaluated events and transactions for potential recognition or disclosure through October 29, 2021, which is the date the financial statements were available to be issued.

## 2. Deposits and Investments

**Deposits.** At December 31, 2020 the Utility has deposits totaling \$7,783,329 (book balances) as follows:

Demand deposits	\$ 4,671,731
Interest bearing deposits	<u>3,111,598</u>
Total	<u>\$ 7,783,329</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, 2020, the Utility's bank balance of \$7,782,464 was not exposed to custodial credit risk.

**Investments.** At December 31, 2020 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.



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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

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, 2020, 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:

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Captions in Note 2	
Petty Cash	\$ 1,184
Carrying value of bank deposits	4,671,731
Carrying value of investments	<u>3,111,598</u>
Total	<u>\$ 7,784,513</u>
<hr/>	
Captions on combined balance sheet:	
Cash and cash equivalents	\$ 3,506,617
Investments	3,111,598
Restricted cash and cash equivalents	<u>1,166,298</u>
Total	<u>\$ 7,784,513</u>

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

### 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, 2020 and December 31, 2019 were \$18,826 and \$17,374, 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, 2020 and December 31, 2019 were \$20,590, and \$19,138, respectively. As of December 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 were \$20,589, and \$19,137, respectively. As of December 31, 2020 and December 31, 2019, this was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$60,005 and \$55,649 at December 31, 2020 and December 31, 2019, respectively.

# WEST BATON ROUGE PARISH PUBLIC UTILITY

*Notes to Financial Statements, Continued*

*December 31, 2020*

## 4. Capital Assets

Utility capital assets consisted of the following:

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Land and improvements	\$ 240,250	\$ -	\$ -	\$ 240,250
Buildings and operating facilities	509,373	-	-	509,373
Natural gas system	5,697,455	186,454	-	5,883,909
Water system	21,480,466	6,848,199	-	28,328,665
Sewer system	24,244,115	365,549	-	24,609,664
Office, furniture and equipment	1,429,121	147,749	-	1,576,870
Vehicles	668,820	193,248	-	862,068
Construction in progress	3,686,234	3,752,037	6,941,307	496,964
	57,955,834	11,493,236	6,941,307	62,507,763
Less Accumulated Depreciation	22,072,235	1,413,618	-	23,485,853
	<u>\$ 35,883,599</u>	<u>\$ 10,079,618</u>	<u>\$ 6,941,307</u>	<u>\$ 39,021,910</u>

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Land and improvements	\$ 240,250	\$ -	\$ -	\$ 240,250
Buildings and operating facilities	521,091	111,012	122,730	509,373
Natural gas system	5,507,606	275,610	85,761	5,697,455
Water system	21,083,764	462,246	65,544	21,480,466
Sewer system	24,210,365	33,750	-	24,244,115
Office, furniture and equipment	1,544,062	114,075	229,016	1,429,121
Vehicles	597,735	121,646	50,561	668,820
Construction in progress	374,760	3,311,474	-	3,686,234
	54,079,633	4,429,813	553,612	57,955,834
Less Accumulated Depreciation	21,100,251	1,421,059	449,075	22,072,235
	<u>\$ 32,979,382</u>	<u>\$ 3,008,754</u>	<u>\$ 104,537</u>	<u>\$ 35,883,599</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.

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

## 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.

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

## **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.

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.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

## **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.

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

### **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, and has at least five years of creditable service or if hired after 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 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or three percent multiplied by years of service assuming continued service to age 60.

### **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. (RS 11:1937) 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, 2019, the actuarial determined contribution rate was 12.18% of member's compensation for Plan A. However, the actual rate for the fiscal year ended December 31, 2019 was 11.50% for Plan A.

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 recognized as revenue in the government-wide governmental activities statement of activities was \$21,999 for the year ended December 31, 2020.

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

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

At December 31, 2020, the Utility reported a liability of \$12,798 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2019 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, 2019, the Utility's proportion was .271856%, which was an increase of .009037% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Utility recognized pension expense of \$247,945 which includes the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$13,500.

At December 31, 2020, 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	\$ -	\$ (114,565)
Changes of assumptions	178,733	-
Net difference between projected and actual earnings on pension plan investments	-	(479,717)
Changes in proportion and differences between Utility contributions and proportionate share of contributions	13,500	-
Utility contributions subsequent to the measurement date	241,850	-
Total	<u>\$ 434,083</u>	<u>\$ (594,282)</u>

\$241,850 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, 2020. Other amounts reported as deferred

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS</b>
2021	\$ (89,543)
2022	(116,731)
2023	15,675
2024	(215,977)

### *Actuarial Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2019, is as follows:

<b>Valuation Date</b>	December 31, 2019
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial Assumptions:</b>	
<b>Expected Remaining</b>	
<b>Service Lives</b>	4 years
<b>Investment Rate of Return</b>	6.50% net of investment expense, including inflation
<b>Salary Increases</b>	4.75%
<b>Cost of Living Adjustments</b>	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
<b>Mortality</b>	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for



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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

males and 125% for females using MP2018 scale for disabled annuitants.

**Inflation Rate** 2.40%

The discount rate used to measure the total pension liability was 6.50% 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.

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 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.18% for the year ended December 31, 2019.

## WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2020

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, 2019 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%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real assets	<u>2%</u>	<u>0.11%</u>
Totals	100%	5.18%
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.18%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

# WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2020

## *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 6.50%, 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 (5.50%) or one percentage-point higher (7.50%) than the current rate:

	<b>Changes in Discount Rate-Plan A</b>		
	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Utility's proportionate share of the net pension liability	\$ 1,383,174	\$ 12,798	\$ (1,135,551)

## *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS 2019 Comprehensive Annual Financial Report at [www.persla.org](http://www.persla.org) or on the Office of Louisiana Legislative Auditor's official website: [www.la.state.la.us](http://www.la.state.la.us).

## **Payables to the Pension Plan**

Included in accrued expense liabilities is \$49,904 payable to the System which was remitted subsequent to December 31, 2020.

## **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 \$34,010 and \$34,211 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, respectively, to help defray the costs associated with the collection of garbage and trash. The Utility owed the Council \$150,611 and \$145,572 for garbage fees collected and other amounts collected but not remitted to the Council at December 31, 2020 and 2019, respectively.

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

## 7. Accounts Receivable

Accounts receivable at December 31, 2020 and 2019 was made up of the following:

	2020	2019
Customer Accounts:		
Billed	\$ 1,069,810	\$ 1,095,005
Unbilled	306,069	242,069
Total	1,375,879	1,337,074
Less allowance for doubtful accounts	(3,000)	(3,000)
Net	\$ 1,378,879	\$ 1,340,074

## 8. Other Income

Other income for the years ended December 31, 2020 and 2019 was composed of the following:

	2020	2019
Service charges	\$ 29,075	\$ 34,660
Charges to other entities	38,580	4,821
Garbage billing and service fees	34,010	34,211
Miscellaneous income	37,971	45,431
Bad debts recovery	3,647	4,286
Vendor's Compensation	431	496
Council payroll assistance	9,500	9,500
Total	\$ 153,214	\$ 133,405

## 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, 2020

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, 2020, employees earned approximately \$123,762 of vacation pay and used approximately \$124,633. As of December 31, 2020 and 2019, employees of the Utility had accumulated and vested \$139,172 and \$140,043, 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, 2020 and 2019:

	2020	2019
Customer deposits	\$ 1,106,293	\$ 1,012,355
Revenue bond current maturity	13,649	13,050
	<u>\$ 1,119,942</u>	<u>\$ 1,025,405</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. Post-Employment Health Care and Life Insurance Benefits

*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 provides certain continuing health care and life insurance benefits for its retired and retirement-eligible employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. All retirees age 65 or older that have Part A and Part B of Medicare must go on the Humana 65 Plan.

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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*Notes to Financial Statements, Continued*

*December 31, 2020*

Additionally, an HSA is also offered to all participants in the HDHP. The Utility pays 100% of the premiums for all retirees. 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 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. A fully-insured dental benefit is also provided with the retiree paying the full cost for elected coverage. All active employees who retire directly from the Utility and meet the eligibility criteria may participate.

Employees covered by benefit terms -- At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	40
Total	<u>63</u>

### **Total OPEB Liability**

The Utility's total OPEB liability of \$5,033,392 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date. At December 31, 2020 measurement date, the Utility's proportion was 20.52%, which was an increase of 0.67% from the proportion at the December 31, 2019 measurement date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.5%
Salary increases	3.5%
Discount rate	2.12% (-0.38% real rate of return plus 2.5% inflation)
Healthcare cost trend rates	Level 4.5%
Actuarial cost method	Individual Entry Age Normal Cost Method - Level Percentage of projected Salary

## WEST BATON ROUGE PARISH PUBLIC UTILITY

*Notes to Financial Statements, Continued*

*December 31, 2020*

The discount rate was based on the recently published Bond Buyer GO-20 bond index. Mortality rates were based on the RPH-2014 Total Table with Projection MP-2020.

The actuarial assumptions used in the December 31, 2020 valuation was based on those used in the Parochial Employees Retirement System of Louisiana valuation and actuarial experience.

Balance at December 31, 2019	\$ 5,430,581
Changes for the year	
Service cost	169,785
Interest	150,531
Differences between expected and actual experience	(150,620)
Changes in assumptions	(353,812)
Benefit payments and net transfers	(213,073)
Net Changes	(397,189)
Balance at December 31, 2020	\$ 5,033,392

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following present the total OPEB liability of the Utility, as well as what the Utility’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

	1.0% Decrease (1.12%)	Current Discount Rate (2.12%)	1.0% Increase (3.12%)
Total OPEB Liability	\$ 5,697,701	\$ 5,033,392	\$ 4,294,261

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* – The following presents the total OPEB liability of the Utility, as well as what the Utility’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare trend rates:

	1.0% Decrease (3.50%)	Current Trend (4.50%)	1.0% Increase (5.50%)
Total OPEB Liability	\$ 4,182,673	\$ 5,033,392	\$ 6,169,140

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

### OPEB Expense

For the year ended December 31, 2020, the Utility recognized OPEB expense of \$318,190. At December 31, 2020, Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(189,127)
Changes in assumptions	831,525	(310,346)
Changes in proportion	-	(143,401)
Total	\$ 831,525	\$ (642,874)

Amounts we reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2021	\$ 47,463
2022	47,463
2023	47,463
2024	47,463
2025	47,463
Thereafter	(48,664)
	<u>\$ 188,651</u>

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, 2020 or 2019.



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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

### 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 2020 and 2019. At December 31, 2020 and 2019, the Public Utility owed the Town of Addis, \$79,416 and \$66,691, respectively.

The Public Utility collected sewer user fees for the Town of Brusly in 2020 and 2019. At December 31, 2020 and 2019, the Public Utility owed the Town of Brusly \$23,202 and \$23,692, respectively.

### 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 2020	Water Sales 2019	Accounts Receivable 2020	Accounts Receivable 2019
Customer A	16.5%	14.0%	6.0%	2.9%
	Gas Sales 2020	Gas Sales 2019	Accounts Receivable 2020	Accounts Receivable 2019
Customer B	14.1%	14.6%	6.3%	6.0%

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.

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# WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

## 16. Capital Contributions and Transfers

Capital contributions and transfers for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
From the Parish Council:		
Water improvements	\$ 1,850,000	\$ -
From developers:		
Gas, Water & Sewer system improvements	38,697	156,522
	<u>\$ 1,888,697</u>	<u>\$ 156,522</u>

## 17. Litigation and Claims

There was no pending litigation at December 31, 2020.

## 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 32-33 add \$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, 2020 and 2019 consisted of the following:

	2020	2019
\$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.	\$ 654,700	\$ 666,715
Less current portion	12,550	11,932
Long term portion	<u>\$ 642,150</u>	<u>\$ 654,783</u>

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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Notes to Financial Statements, Continued

December 31, 2020

The annual requirements to amortize the revenue bond payable as of December 31, 2020, are as follows:

Year ending December 31,	Principal	Interest	Total
2021	\$ 12,550	\$ 28,392	\$ 40,942
2022	13,111	27,832	40,943
2023	13,696	27,247	40,943
2024	14,231	26,712	40,943
2025	14,942	26,000	40,942
2026	15,609	25,333	40,942
2027-2032	109,287	136,370	245,657
2033-2038	142,112	103,545	245,657
2036-2044	184,673	60,984	245,657
2045-2048	134,489	10,966	145,455
Totals	\$ 654,700	\$ 473,381	\$ 1,128,081

### 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.

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**WEST BATON ROUGE PARISH PUBLIC UTILITY**

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*Required Supplementary Information*

*December 31, 2020*

**WEST BATON ROUGE PARISH PUBLIC UTILITY****Schedule of Changes in Net OPEB  
Liability and Related Ratios**

Year Ended December 31, 2020

	2018	2019	2020
<b>Total OPEB liability</b>			
Service cost	\$ 104,303	\$ 108,580	\$ 169,785
Interest cost	172,950	176,906	150,531
Changes of benefit terms	-	-	-
Difference of expected and actual experience	-	(76,077)	(150,620)
Changes in assumptions	-	1,109,625	(353,812)
Benefit payments	(180,834)	(189,286)	(213,073)
<b>Net change in total OPEB liability</b>	96,419	1,129,748	(397,189)
Total OPEB liability, beginning	4,204,414	4,300,833	5,430,581
Total OPEB liability, ending	<u>\$ 4,300,833</u>	<u>5,430,581</u>	<u>5,033,392</u>
Covered-employee payroll	1,723,055	1,848,560	2,063,788
Net OPEB liability as a percentage of covered-employee payroll	249.61%	293.77%	243.89%

**Notes to Schedule***Changes of Benefit Terms* None*Changes of Assumptions* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.10%
2019	4.10%
2020	2.12%

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

## WEST BATON ROUGE PARISH PUBLIC UTILITY

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

Year Ended December 31, 2020

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
2020	0.2719%	\$ 12,798	\$ 1,974,287	0.65%	99.89%
2019	0.2628%	\$ 1,166,485	\$ 1,723,772	67.67%	88.86%
2018	0.2643%	\$ (196,174)	\$ 1,615,700	-12.14%	101.98%
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%

#### PERS:

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, 2020

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>					
2020	\$ 241,850	\$ 241,850	\$ -	\$ 1,974,287	11.50%
2019	\$ 198,234	\$ 198,234	\$ -	\$ 1,723,772	11.50%
2018	\$ 185,806	\$ 185,806	\$ -	\$ 1,615,700	9.35%
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.

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## WEST BATON ROUGE PARISH PUBLIC UTILITY

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

*December 31, 2020*

### PERS

#### *Changes of Benefit Terms*

- There were no changes in benefit terms for the year ended December 31, 2020.

#### *Changes of Assumptions*

- There were no changes of benefit assumptions for the year ended December 31, 2020.



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**WEST BATON ROUGE PARISH PUBLIC UTILITY**

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*Other Supplementary Information*

*December 31, 2020*

**WEST BATON ROUGE PARISH PUBLIC UTILITY***Schedule of Changes in Sewer Revenue**Years Ended December 31, 2020 and 2019**Bond Restricted Funds*

	2020	2019
Beginning balance	\$ 55,649	\$ 50,748
Additions		
Transfer from Revenue account	45,299	45,844
Total Cash Available	<u>100,948</u>	<u>96,592</u>
Disbursements		
Bond Principal paid	12,014	11,501
Bond Interest paid	28,929	29,442
Total Disbursements	<u>40,943</u>	<u>40,943</u>
Balance, Ending	<u>\$ 60,005</u>	<u>\$ 55,649</u>

The restricted cash account was adequately funded as of December 31, 2020 and 2019.

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

## WEST BATON ROUGE PARISH PUBLIC UTILITY

### Operating Statistics

Years Ended December 31, 2020 and 2019

	2020	2019
<b>Sewer</b>		
Residential customers	1,642	1,622
Commercial customers	148	148
Total	<u>1,790</u>	<u>1,770</u>
<b>Natural Gas</b>		
Customers	5,693	5,405
Sales	\$ 2,948,988	\$ 3,518,262
Purchases	1,403,716	1,830,359
Gross Profit on sales	<u>\$ 1,545,272</u>	<u>\$ 1,687,903</u>
MCF's of gas sold	557,517	617,359
MCF's of gas loss	2,752	3,719
MCF's of gas purchased	<u>546,577</u>	<u>589,726</u>
MCF's of gain (loss)	13,692	31,352
Percent of gain (loss)	2.51%	5.32%
Total number of customer billings	66,949	63,587
Average number of customers billed per month	5,579	5,299
Average monthly revenue per customer	\$ 44.05	\$ 55.33
Average revenue per MCF billed	\$ 5.29	\$ 5.70

## WEST BATON ROUGE PARISH PUBLIC UTILITY

*Operating Statistics, continued*

*Years Ended December 31, 2020 and 2019*

	Placid	Chemical Plants	Others	Total 2020
<b>Water</b>				
Sales	\$ 469,451	\$ 204,895	\$ 2,164,629	\$ 2,838,975
M gallons sold	782,417	341,232	1,064,084	2,187,733
Total number of customer billings	12	41	103,430	103,483
Average number of customers billed per month	1	3	8,619	8,624
Average monthly revenue per customer	\$ 39,121	\$ 4,997	\$ 20.93	\$ 27.43
Average revenue per M gallons	\$ 0.60	\$ 0.60	\$ 2.03	\$ 1.30
	Placid	Chemical Plants	Others	Total 2019
Sales	\$ 449,988	\$ 260,525	\$ 1,974,307	\$ 2,684,820
M gallons sold	735,274	385,345	1,036,023	2,156,642
Total number of customer billings	12	36	103,430	103,478
Average number of customers billed per month	1	3	8,619	8,623
Average monthly revenue per customer	\$ 37,499	\$ 7,237	\$ 19.09	\$ 25.95
Average revenue per M gallons	\$ 0.61	\$ 0.68	\$ 1.91	\$ 1.24

**WEST BATON ROUGE PARISH PUBLIC UTILITY***Schedule of Per Diem Paid to Board Members**Year Ended December 31, 2020*

			Amount
Compensation for the year ended December 31, 2020:			
Roger Alan Crowe	8621 Section Road, Port Allen, LA	225-627-6438	\$14,400
Kirk Allain, Chairperson	3113 River Landing Dr., Addis, LA 70710	225-303-7192	15,600
Kenneth Gordon	1151 Oregon Ave, Port Allen, LA 70767	225-324-3904	14,400
Caleb Kleinpeter	3699 Emily Drive, Port Allen, LA 70767	225-223-5322	14,400
Carey Denstel	41111 Roseland Drive Port Allen 70767	225-505-3071	14,400
Gary Joseph	1416 Avenue B Port Allen, LA 70767	225-223-0919	14,400
Chris Kershaw	PO Box 1234, Brusly, LA 70719	225-620-3474	14,400
Atley Walker	3711 Lukeville Ln. Brusly, LA 70719	225-324-7139	14,400
Craig Bergeron	12162 Margaret Lane, Port Allen 70767	225-938-2834	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, 2020*

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Compensation paid to the West Baton Parish Public  
Utility Director:

	<u>Adrian Genre</u>
Salary	\$ 72,122
Benefits-Insurance	7,043
Benefits-Retirement	8,835
Vehicle Provided	<u>4,000</u>
Total compensation	<u>\$ 92,000</u>

**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 years ended December 31, 2020 and 2019, 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 October 29, 2021.

***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) as a basis for designing 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify 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 as item 2020-001 to be a material weakness.

### ***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 is 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



October 29, 2021  
Baton Rouge, Louisiana



**WEST BATON ROUGE PARISH PUBLIC UTILITY**

*Schedule of Findings and Responses*

December 31, 2020

Section I- Internal Control Findings

Finding 2020-001

**Material Weakness in Internal Control – Accounting for Accounts Payable**

*Criteria:* Generally accepted accounting principles requires that expenditures be recognized in the period in which they are incurred, and the corresponding payable be established.

*Condition:* During our search for unrecorded liabilities, we noted invoices relating to services performed prior to the end of the fiscal year were not recorded as a liability in the proper accounting period.

*Context:* The cutoff procedures utilized by the Utility entails the reviewing of all disbursements for the month after year end to assess if the good or service was incurred prior to yearend. Our search for unrecorded liabilities was extended through fieldwork, and we discovered two invoices issued subsequent to the review period for services performed prior to year-end which were not recorded as payables.

*Potential Effect:* Accounts payable and the related capital asset or expense could be understated at year-end.

*Recommendation:* Management should extend the period of review for disbursements past one month subsequent to year-end and implement a process to review all invoices to ensure that they do not represent goods received or performed prior to year-end.

*View of Responsible Official:* It is the practice of the Utility to pay invoices as they are received, thus historically searching the subsequent month after end has been sufficient to discover liabilities as of yearend. However, for the current year vendors were slow in providing invoices, thus the procedures used in the past were not sufficient, thus procedures will be implemented to review all invoices to ensure that they are recorded in the period reflective of the period the service is provided or goods are received.

**WEST BATON ROUGE PARISH PUBLIC UTILITY**

*Schedule of Prior Year Findings*

*December 31, 2020*

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Status of the Finding	Current Year Finding Ref No.
	None			