

**WEST BATON ROUGE PARISH
PUBLIC UTILITY**

FINANCIAL REPORT

December 31, 2018 and 2017



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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 years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As disclosed in Note 20 to the financial statements, in 2018, the entity adopted new accounting guidance under GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Our opinion is not modified with respect to this matter.

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 June 28, 2019 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



June 28, 2019
Baton Rouge, Louisiana

West Baton Rouge Parish Public Utility

Management's Discussion and Analysis

December 31, 2018

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, 2018. 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 \$4,803,307 or 14.1%.
The operating revenues of the Utility increased \$125,808 or 1.7%.
The operating expenses of the Utility increased \$91,439 or 1.2%.

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, 2018

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:

	2018	2017 Restated	2016
Current assets	\$ 12,039,734	\$ 11,367,998	\$ 10,992,647
Restricted assets	976,149	1,096,930	919,423
Capital assets	32,979,382	28,398,520	28,312,135
Total assets	45,995,265	40,863,448	40,224,205
Deferred Outflows	433,704	748,391	1,052,484
Current liabilities	1,961,525	1,767,234	1,476,440
Noncurrent liabilities	4,904,529	5,567,810	2,758,190
Total liabilities	6,866,054	7,335,044	4,234,630
Deferred Inflows	580,206	97,393	110,687
Net investment in capital assets	32,301,166	27,709,295	27,612,372
Restricted for debt service	50,748	46,243	31,557
Unrestricted	6,630,795	6,423,864	9,287,443
Total net position	\$ 38,982,709	\$ 34,179,402	\$ 36,931,372
Operating revenues	\$ 7,457,858	\$ 7,332,050	\$ 7,368,713
Operating expenses	7,547,027	7,455,588	7,733,993
Operating income (loss)	(89,169)	(123,538)	(365,280)
Non-operating revenues (expenses)	122,239	24,265	(70,864)
Income (Loss) before contributions and transfers	33,070	(99,273)	(436,144)
Contributions and transfers	4,770,237	161,818	973,565
Change in net position	\$ 4,803,307	\$ 62,545	\$ 537,421

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

December 31, 2018

NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED

The Utility adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The adoption of GASB 75 required significant changes to the financial statements of the Utility. The principal objective of this Statement is to improve the usefulness of information for decision made by the various users of the general purpose external financial reports (financial reports) of governments whose employees-both active employees and inactive employees-are provided with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB). One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB obligations and the resources, if any, available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities.

CAPITAL ASSETS AND DEBTS

Capital Assets

The Utility's investment in capital assets as of December 31, 2018, amounts to \$32,979,382 (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 16.1%.

During the current fiscal year, the Utility purchased office equipment, a utility trailer, a lawnmower, made improvements to the sewer, water, and gas system, and improvements to a warehouse.

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

December 31, 2018

	2018	2017	2016
Land and improvements	\$ 240,250	\$ 221,850	221,850
Buildings and operating facilities	521,091	437,019	433,843
Office, furniture and equipment	230,089	226,618	220,097
Natural gas system	5,507,606	5,292,581	5,051,408
Water system	21,083,764	20,563,419	19,705,367
Sewer system	24,210,365	19,579,463	19,567,802
Equipment	1,313,973	1,285,309	1,113,577
Vehicles	597,735	597,735	537,653
Construction in progress	374,760	-	-
	54,079,633	48,203,994	46,851,597
Less Accumulated Depreciation	21,100,251	19,805,474	18,539,462
	\$ 32,979,382	\$ 28,398,520	\$ 28,312,135

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.

Other Postemployment Benefits Liability

At December 31, 2017, the Utility reported other postemployment benefits liability in the amount of \$1,389,899. For the year end December 31, 2018, the Utility adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which restated the 2017 ending other postemployment benefits liability amount to \$4,204,414, a change of \$2,814,515 in governmental activities. At December 31, 2018, the Utility reported other postemployment benefits liability in the amount of \$4,300,833. This was an increase of \$96,419 as compared to the prior year. See Note 12 to the basic financial statements for further discussion of other postemployment benefits.

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, 2018 and 2017

	2018	2017 Restated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,473,673	\$ 6,944,525
Investments	3,026,150	2,977,029
Accounts receivable	1,515,877	1,416,472
Accrued interest receivable	5,605	6,998
Prepaid expenses	18,429	22,974
Total current assets	<u>12,039,734</u>	<u>11,367,998</u>
Restricted Assets		
Customers' Deposits	925,401	1,050,687
Revenue bond restricted funds	50,748	46,243
Total restricted assets	<u>976,149</u>	<u>1,096,930</u>
Noncurrent Assets		
Property and equipment, net of accumulated depreciation	32,979,382	28,398,520
Total Assets	<u>45,995,265</u>	<u>40,863,448</u>
Deferred Outflow of Resources		
Total Assets and deferred outflows of resources	<u>46,428,969</u>	<u>41,611,839</u>
LIABILITIES		
Current Liabilities - (Payable from Current Assets)		
Accounts payable	589,719	469,299
Accrued and withheld taxes and expenses	83,856	109,444
Miscellaneous payables	6,715	6,715
Payable to other systems and the Parish Council	229,729	231,864
Payable to the State of Louisiana	113,467	113,467
Total current liabilities (Payable from Current Assets)	<u>1,023,486</u>	<u>930,789</u>
Current Liabilities - (Payable from Restricted Assets)		
Accounts payable	938,039	836,445
Noncurrent Liabilities		
Sewer Revenue Bond	666,715	678,217
Accumulated unpaid vacation	133,155	128,620
Other postemployment benefits	4,300,833	4,204,414
Net pension liability	(196,174)	556,559
Total noncurrent liabilities	<u>4,904,529</u>	<u>5,567,810</u>
Total Liabilities	<u>6,866,054</u>	<u>7,335,044</u>
Deferred Inflow of Resources		
Total Liabilities and deferred inflow of resources	<u>580,206</u>	<u>97,393</u>
	<u>7,446,260</u>	<u>7,432,437</u>
NET POSITION		
Invested in capital assets, net of related debt	32,301,166	27,709,295
Restricted for debt services	50,748	46,243
Unrestricted	6,630,795	6,423,864
Total net position	<u>\$ 38,982,709</u>	<u>\$ 34,179,402</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Statements of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2018 and 2017

	2018	2017 Restated
Operating Revenues		
Gas Sales	\$ 3,525,927	\$ 3,578,158
Water Sales	2,715,588	2,682,203
Penalties	74,507	66,010
Extension and connection charges	143,377	165,767
Sewer income	716,355	695,461
Other income	124,713	144,451
Grant Income	157,391	-
Total operating revenues	7,457,858	7,332,050
Operating Expenses		
Gas purchases	2,056,961	2,048,379
Salaries and wages	1,728,620	1,724,755
Depreciation	1,294,777	1,266,012
Meter and system repairs and supplies	301,740	306,494
Sewer expenses	202,445	186,804
Bad debts	16,121	11,614
Cathodic protection	18,142	4,974
Equipment rental, repair and service contracts	127,098	92,379
Operator qualifications	15,665	19,175
Insurance - employee benefits	525,038	423,592
Insurance and surety bonds	123,055	89,350
Miscellaneous	96,620	98,753
Office supplies and postage	84,751	85,005
Payroll taxes	27,428	26,507
Professional services	87,701	99,554
Truck and travel	82,394	62,139
Telephone and Utilities	411,895	390,262
Retirement	250,157	354,244
Other post-employment benefits	96,419	165,596
Total operating expenses	7,547,027	7,455,588
Operating Income (Loss)	(89,169)	(123,538)
Non-Operating Revenues (Expenses)		
Interest on investments and savings	152,154	54,651
Interest expense	(29,915)	(30,386)
	122,239	24,265
Income (Loss) before contributions and transfers	33,070	(99,273)
Capital Contributions and Transfers	4,770,237	161,818
Change in Net Position	4,803,307	62,545
Total Net Position, Beginning, as restated	34,179,402	34,116,857
Total Net Position, Ending	\$ 38,982,709	\$ 34,179,402

WEST BATON ROUGE PARISH PUBLIC UTILITY*Statements of Cash Flows**Years ended December 31, 2018 and 2017*

	2018	2017
Cash Flows From Operating Activities:		
Receipts from customers	\$ 7,201,635	\$ 6,848,931
Receipts from others	282,104	144,451
Payments to suppliers and providers	(4,188,606)	(3,866,004)
Payment to employees	(1,724,085)	(1,744,333)
Net Cash Provided By (Used In) Operating Activities	1,571,048	1,383,045
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,105,402)	(1,190,581)
Long-Term Debt Repaid	(11,009)	(10,538)
Interest Paid	(29,915)	(30,386)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,146,326)	(1,231,505)
Cash Flows From Investing Activities		
Interest and dividends on investments	153,547	52,475
Increase in certificates of deposit	(49,121)	(33,847)
Net Cash Provided By (Used In) Investing Activities	104,426	18,628
Net Increase (Decrease) In Cash And Cash Equivalents	529,148	170,168
Cash and Cash Equivalents		
Beginning of year	6,944,525	6,774,357
End of year	\$ 7,473,673	\$ 6,944,525
Noncash Investing, Capital, and Financing Activities		
Interest charged to expense	\$ 29,915	\$ 33,396
Net assets contributed to the system	\$ 4,770,237	\$ 973,565
Reconciliation of Operating Income to Net Cash Provided		
By Operating Activities:		
Operating income (loss)	\$ (89,169)	\$ (123,538)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,294,777	1,266,012
Increase (decrease) in assets:		
Accounts receivable	21,376	(38,723)
Prepaid expenses	4,545	(3,850)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	120,420	137,876
Other payables	75,512	110,662
Payable to other systems	(2,135)	28,492
Accumulated unpaid vacation	4,535	(19,578)
OPEB and pension liability	141,187	25,691
Net Cash Provided By (Used In) Operating Activities	\$ 1,571,048	\$ 1,383,044

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements

December 31, 2018

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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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 2018 or 2017.

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:

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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017. 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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

Current Year Adoption of New Accounting Standards. The West Baton Rouge Parish Public Utility adopted the following recently issued GASB Standards in the preparation of this Annual Financial Report:

The Utility adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The adoption of GASB 75 required significant changes to the financial statements of the Utility. The principal objective of this Statement is to improve the usefulness of information for decision made by the various users of the general purpose external financial reports (financial reports) of governments whose employees-both active employees and inactive employees-are provided with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB). One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB obligations and the resources, if any, available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities.

Subsequent Events. In preparing these financial statements, the Utility has evaluated events and transactions for potential recognition or disclosure through June 28, 2019, which is the date the financial statements were available to be issued.

2. Deposits and Investments

Deposits. At December 31, 2018 the Utility has deposits totaling \$11,474,788 (book balances) as follows:

Demand deposits	\$ 8,448,637
Interest bearing deposits	3,026,151
Total	<u>\$ 11,474,788</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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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, 2018, the Utility's bank balance of \$11,457,386 was not exposed to custodial credit risk.

Investments. At December 31, 2018 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, 2018, 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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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:

Captions in Note 2	
Petty Cash	\$ 1,184
Carrying value of bank deposits	8,448,637
Carrying value of investments	3,026,151
Total	<u>\$ 11,475,972</u>
Captions on combined balance sheet:	
Cash and cash equivalents	\$ 7,473,673
Investments	3,026,150
Restricted cash and cash equivalents	976,149
Total	<u>\$ 11,475,972</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, 2018 and December 31, 2017 were \$15,740 and \$14,237, 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, 2018 and December 31, 2017 were \$17,504, and \$16,003, respectively. As of December 31, 2018 and December 31, 2017, this fund was adequately funded.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

C. The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at December 31, 2018 and December 31, 2017 were \$17,504, and \$16,003, respectively. As of December 31, 2018 and December 31, 2017, this was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$50,748 and \$46,243 at December 31, 2018 and December 31, 2017, respectively.

4. Capital Assets

Utility capital assets consisted of the following:

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Land and improvements	\$ 221,850	\$ 18,400	\$ -	\$ 240,250
Buildings and operating facilities	437,019	84,072	-	521,091
Office, furniture and equipment	226,618	3,471	-	230,089
Natural gas system	5,292,581	215,025	-	5,507,606
Water system	20,563,419	520,345	-	21,083,764
Sewer system	19,579,463	4,630,902	-	24,210,365
Equipment	1,285,309	28,664	-	1,313,973
Vehicles	597,735	-	-	597,735
Construction in progress	-	374,760	-	374,760
	48,203,994	5,875,639	-	54,079,633
Less Accumulated Depreciation	19,805,474	1,294,777	-	21,100,251
	\$ 28,398,520	\$ 4,580,862	\$ -	\$ 32,979,382

	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
	\$ 28,312,135	\$ 86,385	\$ -	\$ 28,398,520

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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

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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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.

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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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.

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, 2017, the actual employer contribution rate was 12.5% for Plan A. For the year ended December 31, 2017, the actuarially determined employer contribution rate was 9.35% 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 \$185,806 for the year ended December 31, 2018.

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, 2018, the Utility reported a liability of \$(196,174) for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2017 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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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, 2017, the Utility's proportion was .2642978%, which was a decrease of .005941% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Utility recognized pension expense of \$245,850 which includes the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$298.

At December 31, 2018, 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	\$ -	\$ (126,988)
Changes of assumptions	247,600	-
Net difference between projected and actual earnings on pension plan investments	-	(453,218)
Changes in proportion and differences between Utility contributions and proportionate share of contributions	298	-
Utility contributions subsequent to the measurement date	185,806	-
Total	\$ 433,704	\$ (580,206)

\$185,806 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, 2019. 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
2019	\$ 24,066
2020	(26,638)
2021	(153,217)
2022	(179,632)

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017, is as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions: Expected Remaining Service Lives	4 years
Investment Rate of Return	6.75% net of investment expense, including inflation
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	2.50%

The discount rate used to measure the total pension liability was 6.75% 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, 2018

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 7.62% for the year ended December 31, 2017.

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, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Fixed income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
Totals	100%	5.62%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.62%

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, 2018

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 6.75%, 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 (5.75%) or one percentage-point higher (7.75%) than the current rate:

	<u>Changes in Discount Rate-Plan A</u>		
	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Utility's proportionate share of the net pension liability	\$ 967,207	\$ (196,174)	\$ (1,232,087)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS 2017 Comprehensive Annual Financial Report at www.persla.org, or on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

Payables to the Pension Plan

Included in accrued expense liabilities is \$26,898 payable to the System which was remitted subsequent to December 31, 2018.

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 \$32,289 and \$30,427 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, respectively, to help defray the costs associated with the collection of garbage and trash. The Utility owed the Council \$151,698 and \$140,513 for garbage fees collected and other amounts collected but not remitted to the Council at December 31, 2018 and 2017, respectively.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

7. Accounts Receivable

Accounts receivable at December 31, 2018 and 2017 was made up of the following:

	2018	2017
Customer Accounts:		
Billed	\$ 1,202,587	\$ 1,080,466
Unbilled	310,290	333,006
Total	1,512,877	1,413,472
Less allowance for doubtful accounts	(3,000)	(3,000)
Net	\$ 1,515,877	\$ 1,416,472

8. Other Income

Other income for the years ended December 31, 2018 and 2017 was composed of the following:

	2018	2017
Service charges	\$ 42,334	\$ 46,308
Charges to other entities	3,226	18,277
Garbage billing and service fees	32,289	30,427
Miscellaneous income	33,411	37,223
Bad debts recovery	3,187	2,716
Vendor's Compensation	766	-
Council payroll assistance	9,500	9,500
Total	\$ 124,713	\$ 144,451

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, 2018

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, 2018, employees earned approximately \$103,802 of vacation pay and used approximately \$99,267. As of December 31, 2018 and 2017, employees of the Utility had accumulated and vested \$133,155 and \$128,620, 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, 2018 and 2017:

	2018	2017
Customer deposits	\$ 925,401	\$ 824,280
Revenue bond current maturity	12,638	12,165
	<u>\$ 938,039</u>	<u>\$ 836,445</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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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 HAS 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	37
Total	56

Total OPEB Liability

The Utility's total OPEB liability of \$4,300,833 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	3.0%
Salary increases	3.5%
Discount rate	4.1% (1.10% real rate of return plus 3% inflation)
Healthcare cost trend rates	Level 5.0%
Actuarial cost method	Individual Entry Age Normal Cost Method - Level Percentage of projected Salary

The discount rate was based on the Bond Buyer GO-20 bond index.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

Mortality rates were based on the RPH-2014 Total Table with Projection MP-2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on those used in the Parochial Employees Retirement System of Louisiana valuation and actuarial experience.

Balance at December 31, 2017	\$ 4,204,414
Changes for the year	
Service cost	104,303
Interest	172,950
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments and net transfers	(180,834)
Net Changes	<u>96,419</u>
Balance at December 31, 2018	<u>\$ 4,300,833</u>

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 (3.1%) or 1-percentage-point higher (5.1%) than the current discount rate:

	1.0% Decrease (3.1%)	Current Discount Rate (4.1%)	1.0% Increase (5.1%)
Total OPEB Liability	\$ 5,072,861	\$ 4,300,833	\$ 3,690,592

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 (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare trend rates:

	1.0% Decrease (4.0%)	Current Trend (5.0%)	1.0% Increase (6.0%)
Total OPEB Liability	\$ 3,624,448	\$ 4,300,833	\$ 5,190,603

OPEB Expense

For the year ended December 31, 2018, the Utility recognized OPEB expense of \$96,419.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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, 2018 or 2017.

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 2018 and 2017. At December 31, 2018 and 2017, the Public Utility owed the Town of Addis, \$53,188 and \$69,720, respectively.

The Public Utility collected sewer user fees for the Town of Brusly in 2018 and 2017. At December 31, 2018 and 2017, the Public Utility owed the Town of Brusly \$24,206 and \$21,631, 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 2018	Water Sales 2017	Accounts Receivable 2018	Accounts Receivable 2017
Customer A	16.3%	16.1%	4.3%	2.6%
	Gas Sales 2018	Gas Sales 2017	Accounts Receivable 2018	Accounts Receivable 2017
Customer B	14.6%	19.1%	6.0%	7.3%

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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

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 years ended December 31, 2018 and 2017 are as follows:

	2018	2017
From the Parish Council:		
Water improvements	\$ 4,600,382	\$ -
From developers:		
Gas, Water & Sewer system improvements	169,855	161,818
	<u>\$ 4,770,237</u>	<u>\$ 161,818</u>

17. Litigation and Claims

There was no pending litigation at December 31, 2018.

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, 2018 and 2017 consisted of the following:

	2018	2017
\$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.	\$ 678,217	\$ 689,225
Less current portion	11,502	11,008
Long term portion	<u>\$ 666,715</u>	<u>\$ 678,217</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2018

The annual requirements to amortize the revenue bond payable as of December 31, 2018, are as follows:

Year ending December 31,	Principal	Interest	Total
2019	11,501	29,442	40,943
2020	11,932	29,011	40,943
2021	12,547	28,396	40,943
2022	13,107	27,836	40,943
2023	13,692	27,251	40,943
2024	14,227	26,716	40,943
2025-2030	100,172	145,485	245,657
2031-2036	130,134	115,523	245,657
2037-2042	169,196	76,460	245,656
2043-2048	201,709	25,907	227,616
Totals	\$ 678,217	\$ 532,027	\$ 1,210,244

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.

20. Change in Accounting Principle

Beginning net position as of December 31, 2018 and 2017 has been restated as follows for the implementation of GASB Statement No. 75:

	2018	2017
Beginning net position at December 31, as originally stated	\$ 36,993,917	\$ 36,931,372
Change in OPEB liability upon adoption of GASB 75	(2,814,515)	(2,814,515)
Beginning net position at December 31, as restated	\$ 34,179,402	\$ 34,116,857

WEST BATON ROUGE PARISH PUBLIC UTILITY

Required Supplementary Information

December 31, 2018

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Changes in Net OPEB Liability and Related Ratios

Year ended December 31, 2018

Total OPEB liability

Service cost	\$ 104,303
Interest cost	172,950
Changes of benefit terms	-
Difference of expected and actual experience	-
Changes in assumptions	-
Benefit payments	(180,834)

Net change in total OPEB liability

96,419

Total OPEB liability, beginning

4,204,414

Total OPEB liability, ending

\$ 4,300,833

Covered-employee payroll

1,723,055

Net OPEB liability as a percentage of covered-employee payroll

249.61%

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%

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, 2018*

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
PERS:					
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%

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, 2018

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
PERS					
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.

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, 2018

PERS

Changes of Benefit Terms

- There were no changes in benefit terms for the year ended December 31, 2018.

Changes of Assumptions

- There were no changes of benefit assumptions for the year ended December 31, 2018.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Other Supplementary Information

December 31, 2018

WEST BATON ROUGE PARISH PUBLIC UTILITY**Schedule of Changes in Sewer Revenue
Bond Restricted Funds****Years ended December 31, 2018 and 2017**

	2018	2017
Beginning balance	\$ 46,243	\$ 42,095
Additions		
Transfer from Revenue account	45,447	45,090
Total Cash Available	91,690	87,185
Disbursements		
Bond Principal paid	11,009	10,538
Bond Interest paid	29,933	30,404
Total Disbursements	40,942	40,942
Balance, Ending	\$ 50,748	\$ 46,243

The restricted cash account was adequately funded as of December 31, 2018 and 2017.

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

WEST BATON ROUGE PARISH PUBLIC UTILITY**Operating Statistics***Years ended December 31, 2018 and 2017*

	2018	2017
Sewer		
Residential customers	1,607	1,605
Commercial customers	140	128
Total	1,747	1,733
Natural Gas		
Customers	5,381	5,232
Sales	\$ 3,525,927	\$ 3,578,158
Purchases	2,056,961	2,048,379
Gross Profit on sales	\$ 1,468,966	\$ 1,529,779
MCF's of gas sold	591,268	583,431
MCF's of gas loss	5,004	3,115
MCF's of gas purchased	574,955	576,041
MCF's of gain (loss)	21,317	10,505
Percent of gain (loss)	3.71%	1.82%
Total number of customer billings	63,587	61,906
Average number of customers billed per month	5,299	5,159
Average monthly revenue per customer	\$ 55.45	\$ 57.80
Average revenue per MCF billed	\$ 5.96	\$ 6.13

WEST BATON ROUGE PARISH PUBLIC UTILITY

Operating Statistics, continued

Year ended December 31, 2018 and 2017

	2018			Total 2018
	Placid	Chemical Plants	Others	
Water				
Sales	\$ 443,152	\$ 217,617	\$ 2,060,521	\$ 2,721,290
M gallons sold	738,569	353,962	1,041,056	2,133,587
Total number of customer billings	12	36	102,189	102,237
Average number of customers billed per month	1	3	8,516	8,520
Average monthly revenue per customer	\$ 36,929	\$ 6,045	\$ 20.16	\$ 26.62
Average revenue per M gallons	\$ 0.60	\$ 0.61	\$ 1.98	\$ 1.28
	2017			Total 2017
	Placid	Chemical Plants	Others	
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	2	7,661	7,664
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

WEST BATON ROUGE PARISH PUBLIC UTILITY*Schedule of Per Diem Paid to Board Members**Year Ended December 31, 2018*

				Amount
Compensation for the year ended December 31, 2018:				
Gary Spillman, Chairperson	6949 Bueche Rd., Bueche, LA 70729	225-627-6438	\$	15,600
Kirk Allain	3113 River Landing Dr., Addis, LA 70710	225-303-7192		14,400
Charlene Gordon	PO Box 421, Port Allen, LA 70767	225-336-4176		14,400
Ricky Loupe	2439 Riverside Dr., Port Allen, LA 70767	225-278-1000		14,400
Phil Porto	3226 Rosario St., Port Allen, LA 70767	225-362-1100		14,400
Edward Robertson	PO Box 504, Port Allen LA 70767	225-610-7939		14,400
Chris Kershaw	PO Box 1234, Brusly, LA 70719	225-620-3474		14,400
Naomi Fair	3838 Choctaw Rd., Brusly, LA 70719	225-892-5730		14,400
Barry Huggins	5622 Elm Grove Rd., Port Allen, LA 70767	225-802-2664		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, 2018

Compensation paid to the West Baton Parish Public
Utility Director:

	<u>Pam Keowen</u>
Salary	\$ 127,142
Benefits-Insurance	18,605
Benefits-Retirement	13,536
Vehicle Provided	<u>4,800</u>
Total compensation	<u>\$ 164,083</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, 2018 and 2017, 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 28, 2019.

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 deficiency described in the accompanying schedule of findings and responses to be material weaknesses. (2018-001)

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 finding 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



June 28, 2019
Baton Rouge, Louisiana

WEST BATON ROUGE PARISH PUBLIC UTILITY

Schedule of Findings and Responses

December 31, 2018

Section I- Internal Control Findings

Finding 2018-001

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. *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, 2018

RefNo.	Fiscal Year Finding Initially Occurred	Description of Finding	Status of the Finding	Current Year Finding Ref No.
2017-001	2017	Monthly account reconciliations	Resolved	none
2017-002	2015	Unable to prepare financial statements	Unresolved	2018-001

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

West Baton Rouge Parish Public Utility

December 31, 2018



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



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 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 fiscal period January 1, 2018 through December 31, 2018. 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:

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions

December 31, 2018

Written Policies and Procedures

Procedure 1: Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- 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 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Board

Procedure 2: Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Bank Reconciliations

Procedure 3: Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

We obtained a listing of 4 bank accounts and selected all 4 for testing.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged)

Findings:

None of the 4 reconciliations selected for testing included evidence that they were prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged)

Findings:

None of the 4 reconciliations selected for testing included evidence that a member of management reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings:

Management does not have documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months for 3 of the reconciliations selected for testing.

Collections

Procedure 4: Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Cash is collected at the West Baton Rouge Parish Public Utility's main office in Port Allen and a satellite office in Brusly.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Procedure 5: For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Findings:

No exceptions noted.

- a) 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.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Findings:

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Findings:

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Findings:

No exceptions noted.

Procedure 6: Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Findings:

No exceptions noted.

Procedure 7: Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Findings:

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Findings:

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Findings:

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Findings:

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Findings:

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

Procedure 8: Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Payments are only processed at the West Baton Rouge Parish Public Utility's office in Port Allen.

Procedure 9: For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Findings:

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Findings:

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Findings:

No exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings:

No exceptions noted.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Procedure 10: For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

From a population of 902 disbursements totaling \$7,691,822, a sample of 5 disbursements totaling \$5,960 was selected for testing.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Findings:

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings:

No exceptions noted.

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

Procedure 11: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 12: Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.)]

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 13: Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Travel and Expense Reimbursement

Procedure 14: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

We obtained a list of all reimbursements for travel and related expenses from the general ledger totaling \$422.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Findings:

No exceptions noted.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Findings:

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Findings:

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

No exceptions noted.

Contracts

Procedure 15: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Payroll and Personnel

Procedure 16: Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 17: Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 18: Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 19: Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Ethics

Procedure 20: Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Debt Service

Procedure 21: Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 22: Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions, Continued

December 31, 2018

Other

Procedure 23: Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

Procedure 24: Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings:

The West Baton Rouge Parish Public Utility did not have any exceptions in the prior year in this category, therefore this procedure was excluded from testing.

We were not engaged to perform, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. 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.

This report is intended solely for the information and use of management of West Baton Rouge Parish Public Utility and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC



Baton Rouge, LA
June 28, 2019



WEST BATON ROUGE PARISH
NATURAL GAS AND WATER SYSTEMS

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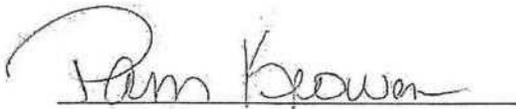
June 26, 2019

Management's Response to AUP Findings for 2018

Procedure A: All bank reconciliations will be dated on date of reconciliation going forward.

Procedure B: A member of management that has reviewed the statements will and sign or initial the bank reconciliations going forward.

Procedure C: 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.



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