

**WEST BATON ROUGE PARISH
PUBLIC UTILITY**

FINANCIAL REPORT

December 31, 2019 and 2018



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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Table of Contents

December 31, 2019

INDEPENDENT AUDITOR'S REPORT		1
MANAGEMENT'S DISCUSSION AND ANALYSIS		4
FINANCIAL STATEMENTS:		
Statements of Net Position	<i>Statement A</i>	8
Statements of Revenues, Expenses and Changes in Net Position	<i>Statement B</i>	9
Statements of Cash Flows	<i>Statement C</i>	10
Notes to Financial Statements		11
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Changes in Net OPEB Liability and Related Ratios	<i>Schedule 1</i>	35
Schedule of Employer's Proportionate Share of the Net Pension Liability	<i>Schedule 2</i>	36
Schedule of Employer's Pension Contributions	<i>Schedule 3</i>	37
Notes to Required Supplementary Schedules		38
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Changes in Sewer Revenue		
Bond Restricted Funds	<i>Schedule 4</i>	40
Operating Statistics	<i>Schedule 5</i>	41
Schedule of Per Diem Paid to Board Members	<i>Schedule 6</i>	43
Schedule of Compensation Paid to Chief Executive	<i>Schedule 7</i>	44
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 <i>GOVERNMENT AUDITING STANDARDS</i>		45
Schedule of Prior Year Findings	<i>Schedule 8</i>	47

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, 2019 and 2018, 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, 2019 and 2018, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, the schedule of changes in net OPEB liability and related ratios (Schedule 1), schedule of employer's proportionate share of the net pension liability (Schedule 2) and the schedule of employer's pension contributions (Schedule 3), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

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

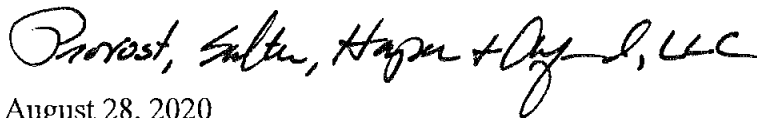
The accompanying financial information listed as "other supplementary information" in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has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

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as “other supplementary information” in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2020 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



August 28, 2020
Baton Rouge, Louisiana

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

December 31, 2019

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, 2019. 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 decreased by \$232,887 or .6%.
The operating revenues of the Utility decreased \$38,606 or .5%.
The operating expenses of the Utility increased \$408,796 or 5.4%.

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, 2019

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:

	2019	2018	2017 Restated
Current assets	\$ 9,697,706	\$ 12,039,734	\$ 11,367,998
Restricted assets	1,068,004	976,149	1,096,930
Capital assets	35,883,599	32,979,382	28,398,520
Total assets	46,649,309	45,995,265	40,863,448
Deferred Outflows	2,021,508	433,704	748,391
Current liabilities	2,391,494	1,961,525	1,767,234
Noncurrent liabilities	7,391,892	4,904,529	5,567,810
Total liabilities	9,783,386	6,866,054	7,335,044
Deferred Inflows	137,609	580,206	97,393
Net investment in capital assets	35,216,884	32,301,166	27,709,295
Restricted for debt service	55,649	50,748	46,243
Unrestricted	3,477,289	6,630,795	6,423,864
Total net position	\$ 38,749,822	\$ 38,982,709	\$ 34,179,402
Operating revenues	\$ 7,419,252	\$ 7,457,858	\$ 7,332,050
Operating expenses	7,955,823	7,547,027	7,455,588
Operating income (loss)	(536,571)	(89,169)	(123,538)
Non-operating revenues (expenses)	147,162	122,239	24,265
Income (Loss) before contributions and transfers	(389,409)	33,070	(99,273)
Contributions and transfers	156,522	4,770,237	161,818
Change in net position	\$ (232,887)	\$ 4,803,307	\$ 62,545

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

December 31, 2019

CAPITAL ASSETS AND DEBTS

Capital Assets

The Utility's investment in capital assets as of December 31, 2019, amounts to \$35,883,599 (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 10.06%.

	2019	2018	2017
Land and improvements	\$ 240,250	\$ 240,250	221,850
Buildings and operating facilities	509,374	521,091	437,019
Office, furniture and equipment	262,494	230,089	226,618
Natural gas system	5,697,454	5,507,606	5,292,581
Water system	21,480,466	21,083,764	20,563,419
Sewer system	24,244,115	24,210,365	19,579,463
Equipment	1,166,629	1,313,973	1,285,309
Vehicles	668,821	597,735	597,735
Construction in progress	3,686,234	374,760	-
	<u>57,955,837</u>	<u>54,079,633</u>	<u>48,203,994</u>
Less Accumulated Depreciation	<u>22,072,238</u>	<u>21,100,251</u>	<u>19,805,474</u>
	<u><u>\$ 35,883,599</u></u>	<u><u>\$ 32,979,382</u></u>	<u><u>\$ 28,398,520</u></u>

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

Debts

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

West Baton Rouge Parish Public Utility

Management's Discussion and Analysis

December 31, 2019

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, 2019 and 2018*

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 5,262,921	\$ 7,473,673
Investments	3,065,490	3,026,150
Accounts receivable	1,340,074	1,515,877
Accrued interest receivable	6,551	5,605
Prepaid expenses	22,670	18,429
Total current assets	<u>9,697,706</u>	<u>12,039,734</u>
Restricted Assets		
Customers' Deposits	1,012,355	925,401
Revenue bond restricted funds	55,649	50,748
Total restricted assets	<u>1,068,004</u>	<u>976,149</u>
Noncurrent Assets		
Property and equipment, net of accumulated depreciation	35,883,599	32,979,382
Total Assets	<u>46,649,309</u>	<u>45,995,265</u>
Deferred Outflow of Resources	<u>2,021,508</u>	433,704
Total Assets and deferred outflows of resources	<u>48,670,817</u>	<u>46,428,969</u>
LIABILITIES		
Current Liabilities - (Payable from Current Assets)		
Accounts payable	907,521	589,719
Accrued and withheld taxes and expenses	108,367	90,571
Payable to other systems and the Parish Council	236,733	229,729
Payable to the State of Louisiana	113,467	113,467
Total current liabilities (Payable from Current Assets)	<u>1,366,088</u>	<u>1,023,486</u>
Current Liabilities - (Payable from Restricted Assets)		
Accounts payable	1,025,406	938,039
Noncurrent Liabilities		
Sewer Revenue Bond	654,783	666,715
Accumulated unpaid vacation	140,043	133,155
Other postemployment benefits	5,430,581	4,300,833
Net pension liability	1,166,485	(196,174)
Total noncurrent liabilities	<u>7,391,892</u>	<u>4,904,529</u>
Total Liabilities	<u>9,783,386</u>	<u>6,866,054</u>
Deferred Inflow of Resources	<u>137,609</u>	580,206
Total Liabilities and deferred inflow of resources	<u>9,920,995</u>	<u>7,446,260</u>
NET POSITION		
Invested in capital assets, net of related debt	35,216,884	32,301,166
Restricted for debt services	55,649	50,748
Unrestricted	3,477,289	6,630,795
Total net position	<u>\$ 38,749,822</u>	<u>\$ 38,982,709</u>

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

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Gas Sales	\$ 3,518,262	\$ 3,525,927
Water Sales	2,755,330	2,715,588
Penalties	83,711	74,507
Extension and connection charges	178,854	143,377
Sewer income	720,490	716,355
Other income	133,405	124,713
Grant Income	29,200	157,391
Total operating revenues	<u>7,419,252</u>	<u>7,457,858</u>
Operating Expenses		
Gas purchases	1,830,359	2,056,961
Salaries and wages	1,860,578	1,728,620
Depreciation	1,421,059	1,294,777
Meter and system repairs and supplies	233,322	301,740
Sewer expenses	260,489	202,445
Bad debts	8,547	16,121
Cathodic protection	19,801	18,142
Equipment rental, repair and service contracts	130,860	127,098
Operator qualifications	11,840	15,665
Insurance - employee benefits	568,743	525,038
Insurance and surety bonds	136,912	123,055
Miscellaneous	105,165	96,620
Office supplies and postage	93,270	84,751
Payroll taxes	29,176	27,428
Professional services	93,057	87,701
Truck and travel	72,368	82,394
Telephone and Utilities	399,955	411,895
Retirement	454,604	250,157
Other post-employment benefits	225,718	96,419
Total operating expenses	<u>7,955,823</u>	<u>7,547,027</u>
Operating Income (Loss)	<u>(536,571)</u>	<u>(89,169)</u>
Non-Operating Revenues (Expenses)		
Interest on investments and savings	190,135	152,154
Gain (Loss) on disposal of assets	(13,550)	-
Interest expense	(29,423)	(29,915)
	<u>147,162</u>	<u>122,239</u>
Income (Loss) before contributions and transfers	<u>(389,409)</u>	<u>33,070</u>
Capital Contributions and Transfers	156,522	4,770,237
Change in Net Position	<u>(232,887)</u>	<u>4,803,307</u>
Total Net Position, Beginning	<u>38,982,709</u>	<u>34,179,402</u>
Total Net Position, Ending	<u>\$ 38,749,822</u>	<u>\$ 38,982,709</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY**Statements of Cash Flows**

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Receipts from customers	\$ 7,345,496	\$ 7,201,635
Receipts from others	162,605	282,104
Payments to suppliers and providers	(3,792,278)	(4,188,606)
Payment to employees	(1,853,690)	(1,724,085)
Net Cash Provided By (Used In) Operating Activities	1,862,133	1,571,048
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of assets	6,915	-
Acquisition and construction of capital assets	(4,189,219)	(1,105,402)
Long-Term Debt Repaid	(11,008)	(11,009)
Interest Paid	(29,423)	(29,915)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(4,222,735)	(1,146,326)
Cash Flows From Investing Activities		
Interest and dividends on investments	189,190	153,547
Increase in certificates of deposit	(39,340)	(49,121)
Net Cash Provided By (Used In) Investing Activities	149,850	104,426
Net Increase (Decrease) In Cash And Cash Equivalents	(2,210,752)	529,148
Cash and Cash Equivalents		
Beginning of year	7,473,673	6,944,525
End of year	\$ 5,262,921	\$ 7,473,673
Noncash Investing, Capital, and Financing Activities		
Interest charged to expense	\$ 29,423	\$ 29,915
Net assets contributed to the system	\$ 156,522	\$ 4,770,237
Reconciliation of Operating Income to Net Cash Provided		
By Operating Activities:		
Operating income (loss)	\$ (536,571)	\$ (89,169)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,421,059	1,294,777
Increase (decrease) in assets:		
Accounts receivable	83,948	21,376
Prepaid expenses	(4,241)	4,545
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	317,802	120,420
Other payables	104,239	75,512
Payable to other systems	7,003	(2,135)
Accumulated unpaid vacation	6,888	4,535
OPEB and pension liability	462,006	141,187
Net Cash Provided By (Used In) Operating Activities	\$ 1,862,133	\$ 1,571,048

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements

December 31, 2019

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, 2019

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 2019 or 2018.

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, 2019

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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018. 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, 2019

Subsequent Events. In preparing these financial statements, the Utility has evaluated events and transactions for potential recognition or disclosure through August 28, 2020, which is the date the financial statements were available to be issued.

2. Deposits and Investments

Deposits. At December 31, 2019 the Utility has deposits totaling \$9,395,231 (book balances) as follows:

Demand deposits	\$ 6,329,741
Interest bearing deposits	<u>3,065,490</u>
Total	<u>\$ 9,395,231</u>

These deposits are stated at cost, which approximates market. Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility does not have a deposit policy for custodial credit risk. At December 31, 2019, the Utility's bank balance of \$9,354,747 was not exposed to custodial credit risk.

Investments. At December 31, 2019 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.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

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, 2019, all of the Utility's purchased investments were in Certificates of Deposit with local banks and are not risk rated.

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

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

Reconciliation

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

Captions in Note 2	
Petty Cash	\$ 1,184
Carrying value of bank deposits	6,329,741
Carrying value of investments	<u>3,065,490</u>
Total	<u>\$ 9,396,415</u>

Captions on combined balance sheet:	
Cash and cash equivalents	\$ 5,262,921
Investments	3,065,490
Restricted cash and cash equivalents	<u>1,068,004</u>
Total	<u>\$ 9,396,415</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

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, 2019 and December 31, 2018 were \$15,877 and \$15,740, 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, 2019 and December 31, 2018 were \$17,641, and \$17,504, respectively. As of December 31, 2019 and December 31, 2018, this fund was adequately funded.
- C. The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at December 31, 2019 and December 31, 2018 were \$17,641, and \$17,504, respectively. As of December 31, 2019 and December 31, 2018, this was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$55,649 and \$50,748 at December 31, 2019 and December 31, 2018, respectively.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

4. Capital Assets

Utility capital assets consisted of the following:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Land and improvements	\$ 240,250	\$ -	\$ -	\$ 240,250
Buildings and operating facilities	521,091	111,012	122,730	509,373
Office, furniture and equipment	230,089	96,022	63,618	262,493
Natural gas system	5,507,606	275,610	85,761	5,697,455
Water system	21,083,764	462,246	65,544	21,480,466
Sewer system	24,210,365	33,750	-	24,244,115
Equipment	1,313,973	18,053	165,398	1,166,628
Vehicles	597,735	121,646	50,561	668,820
Construction in progress	374,760	3,311,474	-	3,686,234
	54,079,633	4,429,813	553,612	57,955,834
Less Accumulated Depreciation	21,100,251	1,421,059	449,075	22,072,235
	\$ 32,979,382	\$ 3,008,754	\$ 104,537	\$ 35,883,599

	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

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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

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, 2019

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, and has at least five years of creditable service or if hired after

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or three percent multiplied by years of service assuming continued service to age 60.

5. Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements.

In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977 (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937) Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contribution for all employers are actuarially determined each year. For the year ended December 31, 2018, the actuarial determined contribution rate was 9.99% of member's compensation for Plan A. However, the actual rate for the fiscal year ended December 31, 2018 was 11.50% for Plan A.

In accordance with state statute, the System receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities recognized as revenue in the government-wide governmental activities statement of activities was \$20,083 for the year ended December 31, 2019.

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

At December 31, 2019, the Utility reported a liability of \$1,166,485 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31,

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Utility's proportion of the Net Pension Liability was based on a projection of the Utility's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year actuarially determined. At December 31, 2018, the Utility's proportion was .262819%, which was a decrease of .001478% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Utility recognized pension expense of \$453,291 which includes the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$2,640.

At December 31, 2019, 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	\$ -	\$ (71,065)
Changes of assumptions	291,660	-
Net difference between projected and actual earnings on pension plan investments	558,400	-
Changes in proportion and differences between Utility contributions and proportionate share of contributions	2,640	-
Utility contributions subsequent to the measurement date	198,234	-
Total	\$ 1,050,934	\$ (71,065)

\$198,234 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:

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

Year ended December 31:	<u>PERS</u>
2020	\$ 270,622
2021	144,094
2022	118,470
2023	246,676

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018, is as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining	
Service Lives	4 years
Investment Rate of Return	6.50% net of investment expense, including inflation
Salary Increases	4.75%
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	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.
Inflation Rate	2.40%

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

The discount rate used to measure the total pension liability was 6.50% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

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, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Totals	<u>100%</u>	<u>5.43%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u><u>7.43%</u></u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.

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

The following presents the Utility’s proportionate share of the Net Pension Liability using the discount rate of 6.50%, as well as what the Employer’s proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.50%) or one percentage-point higher (7.50%) than the current rate:

	Changes in Discount Rate-Plan A		
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Utility's proportionate share of the net pension liability	\$ 2,477,301	\$ 1,166,485	\$ 70,756

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS 2018 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 \$29,597 payable to the System which was remitted subsequent to December 31, 2019.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

6. West Baton Rouge Parish Council

Garbage Billing Fees. The Utility bills and collects Garbage Fees for the West Baton Rouge Parish Council. The Utility is paid \$.33 per customer billing for providing this service. The Utility earned \$34,211 and \$32,289 for the years ended December 31, 2019 and 2018, respectively, for providing this service. In addition to the per customer fee, the Council paid the Utility \$9,369 and \$9,500 in the years ended December 31, 2019 and 2018, respectively, to help defray the costs associated with the collection of garbage and trash. The Utility owed the Council \$145,572 and \$151,698 for garbage fees collected and other amounts collected but not remitted to the Council at December 31, 2019 and 2018, respectively.

7. Accounts Receivable

Accounts receivable at December 31, 2019 and 2018 was made up of the following:

	2019	2018
Customer Accounts:		
Billed	\$ 1,095,005	\$ 1,202,587
Unbilled	242,069	310,290
Total	1,337,074	1,512,877
Less allowance for doubtful accounts	(3,000)	(3,000)
Net	\$ 1,340,074	\$ 1,515,877

8. Other Income

Other income for the years ended December 31, 2019 and 2018 was composed of the following:

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

	2019	2018
Service charges	\$ 34,660	\$ 42,334
Charges to other entities	4,821	3,226
Garbage billing and service fees	34,211	32,289
Miscellaneous income	45,431	33,411
Bad debts recovery	4,286	3,187
Vendor's Compensation	496	766
Council payroll assistance	9,500	9,500
Total	<u>\$ 133,405</u>	<u>\$ 124,713</u>

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.

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, 2019, employees earned approximately \$106,887 of vacation pay and used approximately \$99,999. As of December 31, 2019 and 2018, employees of the Utility had accumulated and vested \$\$140,043 and \$\$133,155, 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, 2019 and 2018:

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

	2019	2018
Customer deposits	\$ 1,012,355	925,401
Revenue bond current maturity	13,051	12,638
	<u>\$ 1,025,406</u>	<u>\$ 938,039</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.

Additionally, an HSA is also offered to all participants in the HDHP. The Utility pays 100% of the premiums for all retirees. The Utility also contributes to the participants that utilize the HSA as follows:

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

Additionally, the Utility pays 50% for a life insurance policy for all retired employees who wish to participate. Eligible retirees are provided a basic life insurance benefit with a policy amount of \$25,000. The amount decreases to \$5,000 at age 65, then to \$1,000 at age 70. A fully-insured dental benefit is also provided with the retiree paying the full cost for elected coverage. All active employees who retire directly from the Utility and meet the eligibility criteria may participate.

Employees covered by benefit terms – At December 31, 2019, the following employees were covered by the benefit terms:

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

Inactive employees or beneficiaries currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	39
Total	<u>57</u>

Total OPEB Liability

The Utility's total OPEB liability of \$5,430,581 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2019 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	2.74% (-0.26% 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.
Mortality rates were based on the RPH-2014 Total Table with Projection MP-2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on those used in the Parochial Employees Retirement System of Louisiana valuation and actuarial experience.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

Balance at December 31, 2018	\$ 4,300,833
Changes for the year	
Service cost	108,580
Interest	176,906
Differences between expected and actual experience	(76,077)
Changes in assumptions	1,109,625
Benefit payments and net transfers	(189,286)
Net Changes	1,129,748
Balance at December 31, 2019	\$ 5,430,581

Sensitivity of the total OPEB liability to changes in the discount rate – The following present the total OPEB liability of the Utility, as well as what the Utility’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	1.0% Decrease (1.74%)	Current Discount Rate (2.74%)	1.0% Increase (3.74%)
Total OPEB Liability	\$ 6,503,547	\$ 5,430,581	\$ 4,593,426

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	\$ 4,491,554	\$ 5,430,581	\$ 6,690,046

OPEB Expense

For the year ended December 31, 2019, the Utility recognized OPEB expense of \$225,718. At December 31, 2019, Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(66,544)
Changes in assumptions	970,574	-
Total	\$ 970,574	\$ (66,544)

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

Year Ended December 31:	
2020	(158,244)
2021	(158,244)
2022	(158,244)
2023	(94,601)
2024	-
Thereafter	-

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, 2019 or 2018.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

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 2019 and 2018. At December 31, 2019 and 2018, the Public Utility owed the Town of Addis, \$66,691 and \$53,188, respectively.

The Public Utility collected sewer user fees for the Town of Brusly in 2019 and 2018. At December 31, 2019 and 2018, the Public Utility owed the Town of Brusly \$23,692 and \$24,206, 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 2019	Water Sales 2018	Accounts Receivable 2019	Accounts Receivable 2018
Customer A	14.0%	16.3%	2.9%	4.3%
	Gas Sales 2019	Gas Sales 2018	Accounts Receivable 2019	Accounts Receivable 2018
Customer B	14.6%	14.6%	6.0%	6.0%

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

15. Deferred Compensation Plan

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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

16. Capital Contributions and Transfers

Capital contributions and transfers for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
From the Parish Council:		
Water improvements	\$ -	\$ 4,600,382
From developers:		
Gas, Water & Sewer system improvements	<u>156,522</u>	<u>169,855</u>
	<u>\$ 156,522</u>	<u>\$ 4,770,237</u>

17. Litigation and Claims

There was no pending litigation at December 31, 2019.

18. Sewer Revenue Bond

During 2008, the West Baton Rouge Parish Council issued "Sewer System Revenue Bond, Series 2010". The Bond was purchased by the U.S. Department of Agriculture. The total proceeds of the bond issue of 32-33 add\$765,000 were used by the Parish Council to make sewer system improvements. During 2010, the Sewer System was completed and the Parish Council transferred the completed improvements to the Public Utility.

The Sewer Revenue Bond payable at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
\$765,000 Sewer Revenue Bond Series 2010 dated June, 2010, interest at 4.375%. Monthly payments of \$3,412. Principal and interest to be paid from the income derived from providing sewer service.	\$ 666,715	\$ 678,217
Less current portion	<u>11,932</u>	<u>11,502</u>
Long term portion	<u>\$ 654,783</u>	<u>\$ 666,715</u>

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Financial Statements, Continued

December 31, 2019

The annual requirements to amortize the revenue bond payable as of December 31, 2019, are as follows:

Year ending December 31,	Principal	Interest	Total
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	14,938	26,005	40,943
2026-2031	104,643	141,014	245,657
2032-2037	135,943	109,714	245,657
2038-2043	176,749	68,908	245,657
2044-2049	168,937	17,735	186,672
Totals	\$ 666,715	\$ 502,586	\$ 1,169,301

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. Subsequent Event COVID-19

The Utility evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of COVID-19, the Utility closed its office and operated in a remote capacity until they were able to open offices back up. While the disruption is currently expected to be temporary and the financial impact to the entity limited, because there is considerable uncertainty around the duration, the ultimate financial impact cannot be reasonably estimated at this time.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Required Supplementary Information

December 31, 2019

WEST BATON ROUGE PARISH PUBLIC UTILITY**Schedule of Changes in Net OPEB
Liability and Related Ratios****Year Ended December 31, 2019**

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

Notes to Schedule

Changes of Benefit Terms None

Changes of Assumptions Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.10%
2019	4.10%

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, 2019*

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
<u>PERS:</u>					
2019	0.2628%	\$ 1,166,485	\$ 1,723,772	67.67%	88.86%
2018	0.2643%	\$ (196,174)	\$ 1,615,700	-12.14%	101.98%
2017	0.0270%	\$ 556,559	\$ 1,626,791	34.21%	94.15%
2016	0.0265%	\$ 696,464	\$ 1,723,594	40.41%	92.23%
2015	0.2185%	\$ 59,731	\$ 1,517,028	3.94%	99.15%

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, 2019

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
<u>PERS</u>					
2019	\$ 198,234	\$ 198,234	\$ -	\$ 1,723,772	11.50%
2018	\$ 185,806	\$ 185,806	\$ -	\$ 1,615,700	9.35%
2017	\$ 203,349	\$ 203,349	\$ -	\$ 1,626,791	12.50%
2016	\$ 225,881	\$ 225,881	\$ -	\$ 1,723,594	13.11%
2015	\$ 220,511	\$ 220,511	\$ -	\$ 1,517,027	14.54%

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

WEST BATON ROUGE PARISH PUBLIC UTILITY

Notes to Required Supplementary Schedule

December 31, 2019

of Employer's Proportionate Share of the Net Pension

Liability and Schedule of Employer's Pension Contributions

PERS

Changes of Benefit Terms

- There were no changes in benefit terms for the year ended December 31, 2019.

Changes of Assumptions

- There were no changes of benefit assumptions for the year ended December 31, 2019.

WEST BATON ROUGE PARISH PUBLIC UTILITY

Other Supplementary Information

December 31, 2019

WEST BATON ROUGE PARISH PUBLIC UTILITY**Schedule of Changes in Sewer Revenue
Bond Restricted Funds****Years Ended December 31, 2019 and 2018**

	2019	2018
Beginning balance	\$ 50,748	\$ 46,243
Additions		
Transfer from Revenue account	45,844	45,447
Total Cash Available	96,592	91,690
Disbursements		
Bond Principal paid	11,501	11,009
Bond Interest paid	29,442	29,933
Total Disbursements	40,943	40,942
Balance, Ending	\$ 55,649	\$ 50,748

The restricted cash account was adequately funded as of December 31, 2019 and 2018.

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

WEST BATON ROUGE PARISH PUBLIC UTILITY**Operating Statistics****Years Ended December 31, 2019 and 2018**

	2019	2018
Sewer		
Residential customers	1,622	1,607
Commercial customers	148	140
Total	1,770	1,747
Natural Gas		
Customers	5,405	5,381
Sales	\$ 3,518,262	\$ 3,525,927
Purchases	1,830,359	2,056,961
Gross Profit on sales	\$ 1,687,903	\$ 1,468,966
MCF's of gas sold	617,359	591,268
MCF's of gas loss	3,719	5,004
MCF's of gas purchased	572,422	574,955
MCF's of gain (loss)	48,656	21,317
Percent of gain (loss)	8.50%	3.71%
Total number of customer billings	63,587	63,587
Average number of customers billed per month	5,299	5,299
Average monthly revenue per customer	\$ 55.33	\$ 55.45
Average revenue per MCF billed	\$ 5.70	\$ 5.96

WEST BATON ROUGE PARISH PUBLIC UTILITY

Operating Statistics, continued

Years Ended December 31, 2019 and 2018

				Total
	Placid	Chemical Plants	Others	2019
Water				
Sales	\$ 443,152	\$ 217,617	\$ 2,060,521	\$ 2,721,290
M gallons sold	753,413	367,206	1,036,023	2,156,642
Total number of customer billings	12	41	103,430	103,483
Average number of customers billed per month	1	3	8,619	8,624
Average monthly revenue per customer	\$ 36,929	\$ 5,308	\$ 19.92	\$ 26.30
Average revenue per M gallons	\$ 0.59	\$ 0.59	\$ 1.99	\$ 1.26
	Placid	Chemical Plants	Others	Total
				2018
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

WEST BATON ROUGE PARISH PUBLIC UTILITY*Schedule of Per Diem Paid to Board Members**Year Ended December 31, 2019*

				Amount
Compensation for the year ended December 31, 2019:				
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
				\$ 130,800

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, 2019

Compensation paid to the West Baton Parish Public
Utility Director:

	<u>Pam Keowen</u>
Salary	\$ 145,447
Benefits-Insurance	20,369
Benefits-Retirement	13,999
Vehicle Provided	<u>4,800</u>
Total compensation	<u>\$ 184,615</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, 2019 and 2018, 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 August 28, 2020.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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



August 28, 2020
Baton Rouge, Louisiana

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 RefNo.
2018-001	2017	Unable to prepare financial statements	Resolved	none

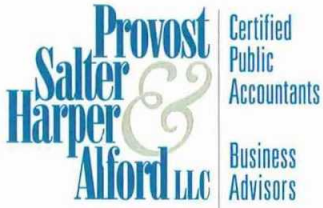
**INDEPENDENT
ACCOUNTANT'S REPORT
ON THE APPLICATION
OF AGREED-UPON PROCEDURES**

West Baton Rouge Parish Public Utility

December 31, 2019



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, 2019 through December 31, 2019. 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 summarized in the following Summary of Findings and Exceptions.

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 Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC

Baton Rouge, LA
August 28, 2020

West Baton Rouge Parish Public Utility

Summary of Findings and Exceptions

December 31, 2019

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, 2019

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Findings:

No exceptions noted.

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:

No exceptions noted.

- 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:

No exceptions noted.

- 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:

No exceptions noted.