Kolin-Ruby Wise Waterworks District No. 11A of Rapides Parish, Louisiana (A Component Unit of the Rapides Parish Police Jury)

Annual Financial Report December 31, 2017

CONTENTS

Introduction

Kolin-Ruby Wise Waterworks District No. 11A of Rapides Parish, Louisiana (the Waterworks District) is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (hereinafter referred to as GASB 34), and related standards. GASB 34 provides financial statement users a more detailed and comprehensive analysis of the financial performance of the Waterworks District. Please read the following in conjunction with the Waterworks District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets and deferred outflows for the years ended 2016 and 2017 were $5,099,466 and $5,114,461, and exceeded liabilities and deferred inflows in the amount of $3,468,979 and $3,429,064 (i.e., net positions). Of the total net assets, $1,271,523 and $1,272,330 for 2016 and 2017 were unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service. Total net assets decreased by $73,203.
- User fee revenues (water sales) for the fiscal year ending December 31, 2016 and 2017 were $556,530 and $576,693.
- The Waterworks District's operating expenses, consisting of those expenses resulting from the Waterworks District's ongoing operations totaled $691,355 and $773,260 for the fiscal years ended December 31, 2016 and 2017.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of the Waterworks District's financial condition and performance.

The financial statements report information on the Waterworks District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the Waterworks District's resources and obligations at year-end and provides a basis for evaluating the capital structure of the Waterworks District and assessing the liquidity and financial flexibility of the Waterworks District.

The Statement of Revenues, Expenses, and Changes in Net Position, accounts for the revenues and expenses for the fiscal year and provides information on how net assets changed during the year. This statement measures the success of the Waterworks District's operations in a format that can be used to determine if the Waterworks District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the Waterworks District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes schedule of commissioners and per diem paid to each, summary accounts receivable information, water rates and a schedule of insurance.

Financial Analysis

The purpose of financial analysis is to help determine whether the Waterworks District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the Waterworks District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Condensed Statement of Net Position

	December 31, 2016	December 31, 2017
Current assets	$ 1,399,305	$ 1,387,481
Restricted assets	256,390	240,504
Fixed assets (net)	3,436,964	3,348,837
Deferred charges	6,807	6,431
Deferred outflows of resources	-0-	131,208
Total Assets and Deferred Outflows	$ 5,099,466	$ 5,114,461
Current liabilities	$ 40,783	$ 37,498
Current liabilities (payable from restricted assets)	123,747	130,111
General obligation bonds payable	594,075	562,135
Non-current Liabilities	-0-	97,728
Long term debt	871,882	840,017
Deferred inflows of resources	-0-	17,908
Total Liabilities and Deferred Inflows	1,630,487	1,685,397
Net Position	3,468,979	3,429,064
Total Liabilities, Deferred Inflows and Net Position	$ 5,099,466	$ 5,114,461

Current assets include current assets for operations, receivables and prepaid expenses. Restricted assets include cash and certificates of deposit restricted for bond indentures and customer deposits.

Capital Assets increased by $67,701 in 2017. Depreciation of $155,828 is included in net fixed assets and is reflected as net capital decrease of $88,127.

Total long-term debt decreased by $63,292 during 2017, which reduced the balance at December 31, 2017 to $1,432,608.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	December 31, 2016	December 31, 2017
Operating revenue	$ 567,573	$ 592,882
Operating expenses	691,355	773,260
Operating (Loss)	(123,782)	(180,378)
Nonoperating Income (net)	98,645	107,175
Change in Net Positions	(25,137)	(73,203)
Net Position, Beginning of Year	3,494,116	3,468,979
Net Position, End of Year	$ 3,468,979	$ 3,429,064

While the Balance Sheet shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table shows a decrease in net position of $39,915 for the fiscal year ending December 31, 2017, as does the Condensed Balance Sheet on the prior page.

The Waterworks District's total revenues include the sales of water, connection fees, tap fees and late charges.

The Waterworks District's major operating expenses include depreciation expense, insurance, wages and retirement, and utilities. Nonoperating income includes ad valorem tax, state revenue sharing, rent and interest and nonoperating expenses include interest expense.

Other Significant Account Changes and Financial Trends

One key measure of a Waterworks District's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31.

	December 31, 2016	December 31, 2017
Current	$ 45,541	$ 47,261
Over 30 Days Past Due	13,437	10,692
Total Accounts Receivable (Before Allowance for Bad Debts)	58,978	57,953
Allowance for Bad Debts	(2,374)	(2,535)
Unbilled services	13,817	13,874
Total Accounts Receivable	$ 70,420	$ 69,292

Total receivables for water service remained fairly constant reflecting the Waterworks District's efforts in collecting bills and in writing off accounts as they become past due. Past due accounts are referred for collection.

Capital Assets

At the end of the fiscal years ending December 31, 2016 and 2017, the Waterworks District had $3,436,964 and $3,348,837 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements in the Kolin-Ruby Wise area.

Other significant capital assets include the Waterworks District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2016	December 31, 2017
Land	$ 16,359	$ 16,359
Water Distribution System	5,752,188	5,819,889
Software	83,604	83,604
Vehicles	98,477	98,477
Subtotal	5,950,628	6,018,329
Less: Accumulated Depreciation	(2,513,664)	(2,669,492)
Net Capital Assets	$ 3,436,964	$ 3,348,837

Long-Term Debt Activity

The primary source of long-term financing for the Waterworks District water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interest rates for long-term debt financed through RUS at December 31, 2017, range from 4% to 5.4%, with initial payment terms for bonds generally at 40 years. Bonds financed for the Waterworks District do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the Waterworks District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the Waterworks District.

Requests for Information

This financial report is designed to provide a general overview of Kolin-Ruby Wise Waterworks District No. 11A of Rapides Parish, Louisiana's finances and to demonstrate the Waterworks District's accountability. If you have questions regarding this report or need additional information, contact the Waterworks District at P. O. Box 3100, Pineville, LA 71361. The phone number for the Waterworks District is (318) 445-4178.

ADLER & PIAS LLC
CERTIFIED PUBLIC ACCOUNTANTS

William A. Paddie, CPA
W. Stephen Pearce, CPA
Paul W. Blais, CPA

Established 1961

2010 Gus Kaplan Drive
Alexandria, Louisiana 71301-3358

Phone (318) 445-9342
Fax (318) 445-9344
wapaddie@adlerpias.com

Members
American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

Report on Financial Statements Issued in Accordance with Government Auditing Standards

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Kolin-Ruby Wise Waterworks District No. 11A
Pineville, Louisiana 71360

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Kolin-Ruby Wise Waterworks District No. 11A as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Kolin-Ruby Wise Waterworks District No. 11A's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of Kolin-Ruby Wise Waterworks District No. 11A, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 comparison information on pages 1-5 and schedules of required supplementary information pertaining to pension obligations on page 42 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of Kolin-Ruby Wise Waterworks District No. 11A's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and loan agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kolin-Ruby Wise Waterworks District No. 11A's 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 Kolin-Ruby Wise Waterworks District No. 11A's internal control over financial reporting and compliance.

Adler & Pias, LLC

Adler and Pias, LLC

Alexandria, Louisiana
June 28, 2018

ADLER & PIAS LLC
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William A. Paddie, CPA
W. Stephen Pearce, CPA
Paul W. Blais, CPA
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Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable Instances of Noncompliance or Other Matters Identified

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*

To the Board of Commissioners of
Kolin-Ruby Wise Waterworks District No. 11A
Pineville, Louisiana 71360

We have audited, in accordance with the 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 the governmental activities and the business-type activities of Kolin-Ruby Wise Waterworks District No. 11A, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Kolin-Ruby Wise Waterworks District No. 11A's basic financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kolin-Ruby Wise Waterworks District No. 11A'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kolin-Ruby Wise Waterworks District No. 11A 's internal control. Accordingly, we do not express an opinion on the effectiveness of Kolin-Ruby Wise Waterworks District No. 11A'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 Kolin-Ruby Wise Waterworks District No. 11A's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and loan agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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.

Adler & Pias, LLC

Adler and Pias, LLC

Alexandria, Louisiana
June 28, 2018

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Statement of Net Position - Proprietary Fund
December 31, 2017

Assets		
Current Assets		
Cash	$188,180	
Certificates of Deposit	969,643	
Receivable(net of allowance for doubtful accounts)	207,203	
Prepaid Expenses	22,455	
Total Current Assets		1,387,481
Restricted Assets		
Cash	188,828	
Certificates of Deposit	51,676	
Total Restricted Assets		240,504
Fixed Assets(net of accumulated depreciation)		3,348,837
Deferred Charges		
Revenue Bond Issue Costs (net)		6,431
Total Assets		$4,983,253
Deferred Outflows of Resources		
Deferred Amounts Related to Pension Liability		131,208
Liabilities		
Current Liabilities (payable from current assets)		
Accounts Payable and Accrued Expenses	$7,986	
Accrued Interest - General Obligation Bonds	14,793	
Retirement Payable	14,719	
Total Current Liabilities (payable from current assets)		37,498
Current Liabilities (payable from restricted assets)		130,111
General Obligation Bonds Payable (Current)		32,362
Non-Current Liabilities:		
Net Pension Liability		97,728
Long-Term Debt		
General Obligation Bonds Payable		529,773
Revenue Bonds Payable		840,017
Total Long-Term Debt		1,369,790
Total Liabilities		$1,667,489
Deferred Inflows of Resources		
Deferred Amounts Related to Pension Liability		17,908
Net Position		
Net Investment in Capital Assets		$1,916,230
Restricted for Debt Service		240,504
Unrestricted		1,272,330
Total Net Position		3,429,064

The accompanying notes are an integral part of these financial statements.

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Statement of Revenues, Expenses, and
Changes in Fund Net Position - Proprietary Fund
For the Year ended December 31, 2017

Operating Revenues		
Water Sales and Tap Fees	$576,693	
Late Charges and Connection Fees	16,189	
Total Operating Revenues		592,882
Operating Expenses		
Truck Expense	2,358	
Bad Debts	161	
Chemicals	15,881	
Collection Expense	1,182	
Contract Labor	1,980	
Depreciation	155,828	
Dues and Subscriptions	5,238	
Fuel and Oil	13,647	
Insurance	36,948	
Office Supplies	2,038	
Payroll Taxes	5,600	
Per Diem - Board Members	9,530	
Postage and Freight	5,976	
Professional Fees	26,450	
Repairs and Maintenance	26,604	
Retirement Expense	56,242	
Salaries and Wages	300,309	
Supplies	29,290	
Taxes and Licenses	16,463	
Telephone	11,426	
Utilities	45,580	
Bond Fees	1,415	
Amortization	376	
Administrative and General	2,738	
Total Operating Expenses		773,260
Operating (Loss)		(180,378)
Nonoperating Revenues(Expenses)		
Ad Valorem Taxes	146,256	
State Revenue Sharing	4,103	
Interest Income	2,306	
Interest Expense	(58,035)	
Non-Contributing Employer Revenue	3,505	
Misc. Income	1,000	
Rental Income	8,040	
Total Nonoperating Revenues(Expenses)		107,175
Change in Net Position		(73,203)
Net Position, Beginning of Year		3,468,979
Implementation of GASB 68		(33,288)
Net Position, End of Year		$3,429,064

The accompanying notes are an integral part of these financial statements.

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Statement of Cash Flows-Proprietary Fund
For the Year ended December 31, 2017

Cash Flows From Operating Activities		
Cash Received from Customers	594,010	
Cash Paid to Suppliers for Goods and Services	(248,493)	
Cash Paid to Employees for Services	(379,094)	
Net Cash Provided by Operating Activities		(33,577)
Cash Flows From Noncapital Financing Activities		
Tax Receipts Collected by Other Governmental Agency	120,868	
Rental Income	8,040	
Non-Contributing Employer revenue	3,505	
Misc. Income	1,000	
State Revenue Sharing	4,103	
Net Cash Provided by Noncapital Financing Activities		137,516
Cash Flows From Capital and Related Financing Activities		
Cash Payments for Purchase of Capital Assets	(67,701)	
Implementation of GASB 68	33,288	
Principal Payments on Bonds	(63,292)	
Interest Paid	(59,377)	
Net Cash Used by Capital and Related Financing Activities		(157,082)
Cash Flows From Investing Activities		
Interest Income	2,306	
Net Cash Provided by Investing Activities		2,306
Net Change in Cash		(50,837)
Cash at Beginning of Year		427,845
Cash at End of Year		377,008
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating (Loss)		(180,378)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	155,829	
Amortization	376	
Change in Assets and Liabilities:		
Customer Receivables	1,128	
Prepaid Expenses	1,132	
Customer Deposits	6,353	
Deferred Amounts Related to Pension Liability	(113,300)	
Net Pension Liability Gasb 68	97,728	
Retirement Payable	2,100	
Accounts Payable and Accrued Expenses	(4,545)	146,801
Net Cash Provided by Operating Activities		(33,577)

The accompanying notes are an integral part of these financial statements.

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Notes to Financial Statements

Introduction

The Kolin-Ruby Wise Waterworks District No. 11A (the Waterworks District) was created by the Rapides Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The Waterworks District is governed by a five-member board of commissioners who are residents of and own real estate in the Waterworks District. The board members are compensated for meetings attended. The board is appointed by the Jury and is responsible for providing water service to approximately 1,582 users within the boundaries of the Waterworks District. The Waterworks District employs five full-time employees.

Note 1 - Summary of Significant Accounting Policies

A. *Basis of Presentation*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments. Generally accepted principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Government Units" and by the Financial Accounting Standards Board (FASB), when applicable. As allowed under GASB Statement No. 62, the Waterworks District has elected to follow (1) all GASB pronouncements and (2) all FASB Statements and Interpretations, APB Opinions and ARBs, no matter when issued, except those that conflict with GASB pronouncements.

B. *Financial Reporting Entity*

GASB No. 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Waterworks District includes all funds that are within the oversight responsibility of the Waterworks District. The Waterworks District is a component unit of the Rapides Parish Police Jury. Certain units of local government over which the Waterworks District exercises no oversight responsibility, such as the police jury, parish school board, other independently elected officials, and municipalities within the parish, are excluded from the accompanying financial statements. Under GASB Codification Section 2600, these units of government are considered separate reporting entities and issue financial statements separate from those of the Waterworks District. GASB Statement No. 61, The Reporting Entity:Omnibus, amended No. 14 and No. 34 to better meet user needs.

C. *Fund Accounting*

The Waterworks District uses a proprietary-enterprise fund to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Note 1 - Summary of Significant Accounting Policies, (Continued)

A proprietary-enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided by the Waterworks District to outside parties, the cost of which is recovered primarily through user fees.

D. Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all liabilities associated with the operation of these funds are included on the statement of net assets. The proprietary funds use the accrual basis of accounting. Operating revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

Ad valorem taxes are accounted for using the modified accrual basis of accounting, whereby, revenues are recognized when they become measurable and available as net current assets (within sixty days after year-end). Taxes paid under protest in years prior to 2004 are retained in escrow by the Rapides Parish tax collector and are not recorded as income until released to the Waterworks District after completion of favorable litigation. Now, all of the protested taxes are distributed to the respective tax districts. When the lawsuit is settled, the district may have to issue a refund which is determined by the court. In 2016 there were no taxes refunded for protested taxes.

E. Cash

Cash includes amounts in demand deposits, bank money market accounts and certificates of deposit.

F. Fixed Assets

All fixed assets and infrastructure assets are stated at historical cost. Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

G. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance for doubtful accounts.

H. Contributed Capital

Grant funds received from federal and state agencies restricted for use in financing capital improvements are not reflected as revenues. They are recorded in fund equity as contributed capital. This policy changed with the enactment of GASB 63, which calls for Capital Contributions to be shown on the "Statement of Revenues, Expenses and Changes in Fund Position" as a separate line item. The change is effective after December 31, 2011.

Note 1 - Summary of Significant Accounting Policies, (Continued)

I. Budget

A budget has been adopted for the USDA Rural Development Service, however, budgets for proprietary funds are not required by Louisiana law.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Deferred Charges

The cost of issuing revenue bonds in 2010 was deferred and is being amortized and charged to expense over the life of the bonds.

L. Accrued Unbilled Revenue

During the year, customer water meters are read and bills rendered throughout monthly periods. Because there are approximately ten days of unbilled water usage at the end of each month, revenue for water distributed but not yet billed is accrued at fiscal year-end to match revenues with related expenses.

Note 2 - Cash and Certificates of Deposit

Under state law, the Waterworks District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Waterworks District may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 2017, the Waterworks District had cash (in checking accounts) and certificates of deposit as follows:

Demand Deposits (includes $188,828 of restricted assets)	$376,908
Petty Cash	100
Certificates of Deposit (greater than 90 days maturity)	1,021,319
Total	$1,398,327

Note 2 - Cash and Certificates of Deposit, Continued

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The Waterworks District does not have a deposit policy for custodial credit risk. The market value of the pledged securities plus the federal deposit insurance must equal the amount on deposit with the fiscal agent. Cash and C.D.'s at December 31, 2017 are as follows:

Bank Balances	$1,398,327
Federal Deposit Insurance	750,000
Pledged Securities(uncollateralized)	1,225,000
Total Insurance and Pledged Securities	$1,975,000

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Waterworks District that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 - Receivables

The following is a summary of receivables at December 31, 2017:

Water Sales:		
Billed Services	$57,953	
Unbilled Services	13,874	71,827
Less: Allowance for Doubtful Accounts		(2,535)
		69,292
Ad Valorem Taxes		137,911
Total		$207,203

Note 4 - Restricted Assets

Certain proprietary - enterprise fund resources are classified as restricted assets on the statement of net position because their use is restricted by applicable bond covenants or for other legal purposes. The "Revenue Bond Sinking Fund" account is used to accumulate monies to be used for debt service payments within the next twelve months. The "Depreciation and Contingency Fund" account is used to provide for extensions, additions, improvements, renewals and replacements necessary to properly operate the Waterworks District. The "Revenue Bond Reserve Fund" is used to report resources set aside to make up potential future deficiencies in the Revenue Bond Sinking Fund Account. Customers' deposits are not associated with the revenue bond indenture. However, these are required deposits from customers to insure against nonpayment of billings or property damage.

Kolin-Ruby Wise Waterworks District No. 11A
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Notes to Financial Statements

Note 4 - Restricted Assets, Continued

Amounts included in the above listed accounts are as follows:

Revenue Bond Sinking Fund	$19,107
Revenue Bond Reserve Fund	119,263
Depreciation and Contingency Fund	50,458
Customers' Deposits	51,676
	$240,504

The balance of all three accounts associated with the revenue bonds were in compliance with the bond indenture.

Note 5 - Fixed Assets

A summary of changes in fixed assets for the year ended December 31, 2017 follows:

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Land	$16,359	-0-	-0-	$16,359
Water System and Equipment	5,752,188	67,701	-0-	5,819,889
Software	83,604	-0-	-0-	83,604
Vehicles	98,477	-0-	-0-	98,477
Total	5,950,628	67,701	-0-	6,018,329
Less Accumulated Depreciation	(2,513,664)	(155,828)	-0-	(2,669,492)
Net Fixed Assets	$3,436,964	(88,127)	-0-	$3,348,837

Depreciation Expense for the year ended December 31, 2017 was $155,828.

Note 6 - Long-Term Debt

In 2005 the Waterworks District issued $742,000 in water revenue bonds and $850,000 in general obligation bonds (Series 2005) secured by revenues to be derived from the operation of the water system. The registered bonds were delivered to the United States Department of Agriculture, Rural Development Office. The bonds were issued to finance water system improvements. The bonds carry interest rates of 4.25% and mature in February, 2045 and May, 2030, respectively. The revenue bond is payable semiannually for principal and interest of $19,567 and the general obligation bond is payable annually for principal and interest of $57,188.

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Notes to Financial Statements

Note 6 - Long-Term Debt, Continued

In 2010 the Waterworks District issued a $550,000 water revenue bond of which $385,000 is bonds payable (Series 2010) secured by revenues to be derived from the operation of the water system and $165,000 is ARRA principal forgiveness. The registered bonds were issued by the Department of Health and Hospitals, State of Louisiana. The bonds were issued to finance water system improvements. The bond carries an interest rate of 2.95% and matures in February, 2030. The revenue bond is payable semiannually for principal and interest of approximately $28,000.

The following is a summary of debt transactions for the year ended December 31, 2017:

	Gen. Obl. Bond 2005	Revenue Bond 2005	Revenue Bond 2010B	Total
Beg. Balance	$594,075	$609,824	$292,000	$1,495,900
Additions	-0-	-0-	-0-	-0-
Reductions	(31,940)	(13,352)	(18,000)	(63,292)
Ending Balance	$562,135	$596,472	$274,000	$1,432,608

The future annual requirements to amortize long-term debt are as follows:

Year End	Principal	Interest	Total
2017-2020	340,819	270,270	611,089
2021-2025	392,964	175,078	568,042
2026-2030	339,224	102,176	441,400
2031-2035	127,514	68,151	195,665
2036-2040	157,355	38,310	195,665
2041-2045	74,731	22,124	96,855
Total	$1,432,607	$676,109	$2,108,716

All sinking fund requirements have been funded in advance(see note 4).

Note 7 - Liabilities Payable From Restricted Assets

The amounts payable from restricted assets, referred to in Note 4, are as follows:

Customer Deposits	$85,058
Revenue Bonds Payable (Series 2005) - Current Portion	12,455
Revenue Bonds Payable (Series 2010) - Current Portion	18,000
Accrued Interest on Revenue Bonds	14,598
	$130,111

Note 8 – Retirement Plan

Plan Description

Parochial Employees' Retirement System of Louisiana (the System) is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S. 11:1901 of the Louisiana Revised Statute (LRS). Substantially all employees of the Waterworks District participate in Plan A of the System.

Benefits Provided

Employees hired prior to January 1, 2007 who retire at or after age 65 with a minimum of seven (7) years of service, at or after age 60 with 10 years of service, at or after age 55 with 25 years of service, or with 30 years of service regardless of age are entitled to a retirement benefit.

Employees who were hired after January 1, 2007 who retire at age 67 with 7 years of experience, age 62 with 10 years of experience or age 55 with 30 years of experience are entitled to a retirement benefit.

Generally, the monthly amount of the retirement allowance shall consist of an amount equal to three percent of the member's final average 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.

1. **<u>Survivor Benefits</u>**

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

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

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married no less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

2. **<u>Deferred Retirement Option Program (DROP)</u>**

In lieu of terminating employment and accepting a service retirement, an eligible member can begin participation in the Deferred Retirement Option Program (DROP) on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

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 DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan 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 PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of the Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

3. ***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 have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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 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.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the years ended December 31, 2017 and 2016, the actuarially determined contribution rates were 9.35% and 10.52%, respectively, of member's compensation for Plan A. However, the actual rates for years ended December 31, 2017 and 2016 were 12.50% and 13.00%, respectively. Contributions to the pension plan from the Waterworks District were $36,589 for the year ended December 31, 2017.

According to state statute, the System also receives ¼ 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. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

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

At December 31, 2017, the Employer reported a liability of $97,728 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The Waterworks District's proportion of the Net Pension Liability was based on a projection of the Waterworks District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Waterworks District's proportion was 0.047452%, which was an increase of 0.002876% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Waterworks District recognized pension expense of $57,917 plus the Waterworks District's amortization of the difference between employer contributions and proportionate share of contributions of ($107).

At December 31, 2017, the Waterworks District 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	$ -	$ 17,101
Changes in assumptions	18,554	-
Net difference between projected and actual earnings on pension plan	75,841	
Changes in proportion and differences between employer contributions and proportionate share of contributions	224	807
Employer contributions subsequent to the measurment date	36,589	-
Total	$ 131,208	$ 17,908

$36,589 reported as deferred outflows of resources related to pensions resulting from Waterworks District contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:

2018	$ 28,485
2019	$ 30,303
2020	$ 19,972
2021	$ (2,049)

Actuarial Assumptions

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

Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years
Investment rate of return	7.00% net of investment expenses

Projected salary increases	5.25% (2.75% Merit/2.50% Inflation)
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 value do not include provisions for potential future increase 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.

The discount rate used to measure the total pension liability was 7.00% for Plan A. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from participating employers and non-employer contributing entities will be made at actuarially determined contribution rates and, 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-estimates 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 and an adjustment for the effect of rebalancing/diversification.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real Assets	2%	0.12%

Inflation	2.00%
Expected Arithmetic Nominal Return	7.66%

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 then 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 Sex Distinct Tables (set forward 2 years for males and 1 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.

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.00%, as well as what the Employer's proportionate share of the Net Pension Obligation would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1.0% Decrease (6.00%)	Current Discount Rate (7.00%)	1.0% Increase (8.00%)
Employer's proportionate share of the net pension liability	$ 292,344	$ 97,728	$ (66,825)

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Waterworks District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2017, the Waterworks District recognized revenue as a result of support received from non-employer contributing entities of $3,505 for its participation in PERS.

Payables to the Pension Plan

At December 31, 2017, the Waterworks District had $8,794 and $5,925 payable to the pension plan for employer and member contributions, respectively. The payable is based on the legally required contributions by the Waterworks District and members and is derived from the payroll period ended December 31, 2017.

Note 9 - Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Waterworks District in September or October and are billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the year ended December 31, 2017, taxes of 4.53 and 4.45 mills were levied on property with taxable valuations totaling $17,483,825 and were dedicated respectively to general maintenance and bond issuance payments of the water system.

Note 10 - Vacation and Sick Leave

Employees of the Waterworks District, depending on their length of service, earn from one to twenty five days of vacation leave each year, and all employees are granted twelve days of sick leave annually. At December 31, 2017, there were no material accumulated and vested benefits relating to vacation and sick leave that should be accrued or disclosed to conform with generally accepted accounting principles.

Note 11 - Risk Management

The Waterworks District is exposed to various risks of loss. It is the policy of the Waterworks District to purchase commercial insurance for the risks of loss to which it would be exposed. In the past year, there have been no claims or settlements in excess of insurable limits.

Note 12 - Concentrations of Credit Risk

Credit risk for accounts receivable from water sales is concentrated because substantially all of the balances are receivable from customers located within the same geographic region. Future water sales are dependent on the economic and weather conditions in the area serviced by the Waterworks District.

Note 13 - Leases

Lessor - Operating Lease

The Waterworks District has a lease agreement with AT&T to lease a water tower as a site for their communication antennas. The lease is for $682.50 per month and is open ended.

Rental income from the rental of the water tower to AT&T amounted to $8,040 for the year. Future minimum rentals related to this lease are as follows:

Year ended December 31:	2018	$8,190
	2019	8,190
	2020	8,190
	2021	8,190
	2022	8,190
	Total	$40,950

Kolin-Ruby Wise Waterworks District No. 11A
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Notes to Financial Statements

Note 13 - Leases, continued

Lessee - Operating Lease

There is also a lease with Automation Service & Controls, Inc. for $625 for monthly service and equipment for the Telemetry and Scada System.

Lease expense from the lease of the Telemetry and Scada equipment amounted to $7,500 for the year.

Future minimum lease payments related to this lease are as follows:

Year ended December 31:	2018	$7,500
	2019	7,500
	2020	7,500
	2021	7,500
	2022	7,500
	Total	$37,500

Note 14 - Schedule of Commissioners

Name	Office Held	Term	Meetings Attended	Per Diem
Jim Atkins 2703 Hills Road Pineville, LA 71360 (318)640-3900	President	11/08/2020	12	$1,906
Les West 5637 Pinekraft Drive Pineville, LA 71360 (318)443-0753	Vice President	07/13/2020	12	$1,906
David Bates 548 Palmer Chapel Road Pineville, LA 71360 (318)442-0079	Secretary	07/08/2020	12	$1,906
Manuel Henry 5630 Pinekraft Drive Pineville, LA 71361 (318)308-9033	Commissioner	07/02/2022	12	$1,906
Kenny Wilson 1450 Palmer Chapel Rd. Pineville, LA 71360 (318)445-5612	Commissioner	07/13/2018	12	$1,906
Total				$9,530

Note 15 - Evaluation of Subsequent Events

The Waterworks District has evaluated subsequent events through June 28, 2018, the date which the financial statements were available to be issued.

Note 16 - Schedule of Compensation, Benefits and Other Payments to Agency Head

Agency Head - Gary Boone

Salary, net of health insurance	$71,215
Health Insurance Premiums	$20,255
Retirement	$9,739

Note 17 - Accounts Receivable

Current	$47,261
Over 30 days	10,692
Total	$57,953

Note 18 - Water Rate Schedule

Effective January 1, 2014

Residential	
0-1,000 gallons	$16.00
$2.85 for each additional thousand.	
Commercial	
0-10,000 gallons	$43.00
$2.85 for each additional thousand.	
Wholesale	
per thousand gallons	$1.35
LT Commercial	
0-1,000 gallons	$16.00
$2.85 for each additional thousand.	

There are 1,557 residential and 25 commercial users on the system.

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Notes to Financial Statements

Note 17 - Insurance

Expiration	Coverage		Amount
12/18/2017	General Liability		
		General Aggregate	$3,000,000
		Products/Compl. Oper. Aggr.	$3,000,000
		Personal & Advertising Injury	$1,000,000
		Each Occurrence	$1,000,000
		Damage to Rented Premises	$1,000,000
		Medical Expense(Any One Person)	$10,000
12/18/2017	Crime		
		Employee Theft	$100,000
		Forgery or Altercation	$100,000
		Theft of Money or Securities	$100,000
		Computer Fraud	$100,000
		Robbery/Safe Burglary	$5,000
12/18/2017	Business Auto		
		Liability-CSL	$1,000,000
		Uninsured Motorists-CSL	$1,000,000
12/18/2017	Public Employee Dishonesty		$100,000
12/18/2017	Public Officials		
		Aggregate Limit	$3,000,000
		Each Wrongful Act	$1,000,000
12/18/2017	Property		
		Real Property & Business Personal Property Blanket Limit	$2,568,000
		Coverage Extension Blanket Limit	$750,000
12/21/2017	Workers Compensation		
		Bodily Injury:	
		Each Accident	$100,000
		Disease-Policy Limit	$500,000
		Disease-Each Employee	$100,000

Insurance is provided by Louisiana Insurance, LLC.

Kolin-Ruby Wise Waterworks District No. 11A
(A Component Unit of the Rapides Parish Police Jury)
Schedule of Findings and Questioned Cost
For the Year Ended December 31, 2017

Part 1 Summary of Auditor's Results

Financial Statements

Auditor's Report

An unmodified opinion has been issued on the Waterworks District's basic financial statements as of and for the year ended December 31, 2017.

Reportable Conditions

There were no significant deficiencies in internal control over financial reporting required to be disclosed during the audit of the financial statements.

Part 2 Compliance

There were no significant deficiencies in compliance over financial reporting required to be disclosed during the audit of the financial statements.

ADLER & PIAS LLC
CERTIFIED PUBLIC ACCOUNTANTS

William A. Paddie, CPA
W. Stephen Pearce, CPA
Paul W. Blais, CPA
♦
Established 1961

2010 Gus Kaplan Drive
Alexandria, Louisiana 71301-3358
♦
Phone (318) 445-9342
Fax (318) 445-9344
wapaddie@adlerpias.com

Members
American Institute of
Certified Public Accountants
♦
Society of Louisiana
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Kolin-Ruby Wise Waterworks District No. 11A
And the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Kolin-Ruby Wise Waterworks District No. 11A (Entity) 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 December 1, 2016 through November 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

time and attendance records, including leave and overtime worked.

f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Finding: The Entity does not have any written policies concerning the above financial and administrative procedures.

Board (or Finance Committee, if applicable)

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2. Obtain and review the board/committee minutes for the fiscal period, and:

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

   b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

      - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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

   Finding: The Board meets monthly. The Entity is not required to adopt an annual *budget. The minutes do reference non-budgetary financial information.*

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
   a) Bank reconciliations have been prepared;
   b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
   c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

   Finding: Bank reconciliations have been prepared, no Board member has reviewed the bank reconciliations and management has not researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

   Management Response: The Board of Commissioners and management will implement a policy of reviewing the monthly bank statement reconciliations. Any outstanding reconciling items older than six months will be reviewed for adjustment.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in

a separate audit or AUP engagement. For each cash collection location selected:

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

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

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

   - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

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

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

   Finding: The Entity uses two outside collection locations in addition to the Entity's office. Personnel at the two outside locations are not bonded, but all Entity personnel are bonded. Deposits are made twice per month from the outside locations and they are made by Entity personnel. The Entity's secretary prepares the deposits for the bank and the general Manager makes the deposit. There is only one cash drawer in the office and it is shared by more than one employee. Cash collections are posted to the general ledger by an outside CPA firm. The secretary post collections to the accounts receivable subsidiary ledger. Of the seventeen daily deposits that we looked at only one did not get deposited to the bank within one business day and that one was done in two days. All deposits are supported by proper documentation.

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

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

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

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

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

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

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

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

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

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

Finding: The Entity does not use purchase orders. Payments for purchases are approved by a Board member. The person responsible for processing payments is not prohibited from adding vendors to the entity's purchasing/disbursement system. The supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority. There is not a signature stamp.

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

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

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

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

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

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

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

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

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

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

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

   Finding: There is evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. There were some finance charges assessed, but not late fees. All charges were supported by original receipts and all were for legitimate business purposes.

Travel and Expense Reimbursement

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

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

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

For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

b) Report whether each expense is supported by:

   - ➢ An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

   - ➢ Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

   - ➢ Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

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

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

Finding: There were only two items and they were supported by an original invoice and approved by management.

Contracts

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

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

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

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code.

Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

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

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

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

Finding: There are four monthly contracts, but only one written contract.

Payroll and Personnel

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

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

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

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

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

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

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

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

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

Finding: Compensation is paid to each employee in strict accordance with the terms and conditions of the employment contract or pay rate structure. Changes to pay rates are initiated and approved by the Board. All employees documented their daily attendance and leave. The Entity only has five employees. There is written documentation that supervisors approved the attendance and leave of the employees. There is written documentation that the entity maintained written leave records. There were no terminations during the year. The employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines. The Entity contracts with an outside CPA firm for these tasks.

Ethics (excluding nonprofits)

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

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

Finding: All personnel attended Ethics training online and there were no reported instances *of ethics violations.*

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

    Finding: There was no new debt issued during the year. The Entity paid existing debt according to loan covenants without exception. Millage collections did not exceed debt service payments by more than 10%. There are no collection of millages on debt that has been paid off.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

    Finding: There were no misappropriations of public funds or assets. The posting required by R.S. 24:523.1 has been done.

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

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

Adler and Pias, LLC

June 28, 2018

Kolin-Ruby Wise Waterworks District 11A
Schedules of Required Supplementary Information
For the Year Ended December 31, 2017

Schedule of the Employer's Proportionate Share of the Net Pension Liability — Schedule 1

Year Ended December 31	Agency's proportion of the net pension liability (asset)		Agency's proportionate share of the net pension liability (asset)		Agency's covered payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Parochial Employees' Retirement System							
2016	0.04745%	$	97,728	$	281,412	35%	94.1%
2015	0.04458%	$	117,337	$	255,578	46%	92.2%

*Amounts presented were determined as of the measurement date (prior calendar year).

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

Schedule of Employer Contributions — Schedule 2

Year Ended December 31		(a) Statutorily Required Contribution		(b) Contributions in relation to the statutorily required contribution		(a-b) Contribution Deficiency (Excess)		Agency's covered payroll	Contributions as a percentage of covered payroll
Parochial Employees' Retirement System									
2017	$	36,589	$	36,589	$	-	$	292,713	12.5%
2016	$	36,584	$	36,584	$	-	$	281,412	13.0%
2015	$	37,059	$	37,059	$	-	$	255,578	14.5%

*Amounts presented were determined as of the end of the fiscal year (December 31).

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

Notes to Required Supplementary Information

Changes of Benefit Terms

There were no changes of benefit terms for the two years ended December 31, 2016.

Changes of Assumptions

For the valuation year ended December 31, 2015, the investment rate of return decreased from 7.25% to 7.00%, projected salary increases decreased from 5.75% to 5.25% and inflation decreased from 3.00% to 2.50%