

WEST SALINE
WATER USERS ASSOCIATION, INC

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

WEST SALINE WATER USERS ASSOCIATION, INC
DECEMBER 31, 2018 AND 2017

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SEARCY & ASSOCIATES, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Saline Water Users Association, Inc
New Edinburg, Arkansas 71660

We have audited the accompanying financial statements of West Saline Water Users Association, Inc (an Arkansas nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 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. 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 West Saline Water Users Association, Inc as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Searcy & Associates, LLC
Monticello, Arkansas
February 23, 2019

WEST SALINE WATER USERS ASSOCIATION, INC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 545,869	\$ 434,669
Accounts Receivable (net of allowance for doubtful accounts of \$1,099 for the years ended December 31, 2018 and 2017)	28,891	25,947
Prepaid Assets	<u>7,718</u>	<u>7,326</u>
Total Current Assets	<u>582,478</u>	<u>467,942</u>
Restricted Assets		
Cash Restricted for Meter Deposits	<u>39,974</u>	<u>39,795</u>
Property, Plant and Equipment		
Water Plant in Service	2,224,074	2,224,074
Land Well #2	273,009	273,009
Machinery, Equipment and Vehicle	375,376	369,313
Plant and Building	<u>52,175</u>	<u>52,175</u>
	2,924,634	2,918,571
Less Accumulated Depreciation	<u>(2,155,987)</u>	<u>(2,068,221)</u>
Net Property, Plant and Equipment	<u>768,647</u>	<u>850,350</u>
Total Assets	<u><u>\$1,391,099</u></u>	<u><u>\$1,358,087</u></u>

The notes to the financial statements are an integral part of these statements.

WEST SALINE WATER USERS ASSOCIATION, INC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts Payable	\$ 3,952	\$ 5,400
Accrued Expenses	<u>10,109</u>	<u>10,160</u>
Total Current Liabilities	14,061	15,560
 Other Liabilities		
Meter Deposits	<u>27,486</u>	<u>26,701</u>
 Total Liabilities	<u>41,547</u>	<u>42,261</u>
 Net Assets		
Without Donor Restrictions	<u>1,349,552</u>	<u>1,315,826</u>
 Total Liabilities and Net Assets	<u><u>\$1,391,099</u></u>	<u><u>\$ 1,358,087</u></u>

The notes to the financial statements are an integral part of these statements.

WEST SALINE WATER USERS ASSOCIATION, INC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets without Donor Restrictions		
Revenue		
Water Fees	\$ 295,918	\$ 274,625
Connection Fees	3,830	2,750
Other Income	<u>1,548</u>	<u>7,855</u>
Total Revenue	<u>301,296</u>	<u>285,230</u>
Operating Expenses		
Water Operations		
Contract Labor	8,581	11,392
Depreciation	85,753	87,276
Insurance	30,700	27,300
Miscellaneous Expense	1,012	3,745
Auto & Truck Expense	4,806	3,637
Repairs & Maintenance	24,253	25,698
Salaries, Payroll Taxes & Retirement	82,402	78,616
Training	282	138
Utilities	<u>13,062</u>	<u>14,716</u>
Total Water Operations	250,851	252,518
Management and General		
Accounting	3,550	4,300
Directors/Committee Expense	2,790	2,400
Office Expense	8,676	11,699
Depreciation	2,013	2,129
Bad Debts	<u>2,197</u>	<u>1,601</u>
Total Management and General	<u>19,226</u>	<u>22,129</u>
Total Expenses	<u>270,077</u>	<u>274,647</u>
Other Income		
Interest Income	<u>2,507</u>	<u>1,926</u>
Change in Net Assets without Donor Restrictions	33,726	12,509
Unrestricted Net Assets Beginning of Year	<u>1,315,826</u>	<u>1,303,317</u>
Unrestricted Net Assets at End of Year	<u><u>\$1,349,552</u></u>	<u><u>\$1,315,826</u></u>

The notes to the financial statements are an integral part of these statements.

WEST SALINE WATER USERS ASSOCIATION, INC
STATEMENT OF CASH FLOWS
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows Provided by/(Used in) Operating Activities		
Change in Net Assets	\$ 33,726	\$ 12,509
Adjustments to Reconcile Change in Net Assets		
Depreciation	87,766	89,405
Change in Current Operating Assets & Liabilities		
(Increase)Decrease in:		
Accounts Receivable	(2,944)	3,783
Prepaid Assets	(392)	(834)
Increase (Decrease) in:		
Accounts Payable	(1,448)	(2,255)
Accrued Expense	<u>(51)</u>	<u>246</u>
Net Cash Provided by Operating Activities	<u>116,657</u>	<u>102,854</u>
 Cash Flows from Investing Activities		
Purchase of Fixed Assets	(4,743)	(25,315)
Increase in Cash Reserved for User Deposits	<u>(714)</u>	<u>(157)</u>
Net Cash Provided (Used) by Investing Activities	(5,457)	(25,472)
 Increase in Cash	111,200	77,382
Cash at Beginning of Year	<u>434,669</u>	<u>357,287</u>
Cash at End of Year	<u><u>\$545,869</u></u>	<u><u>\$ 434,669</u></u>

Supplemental Disclosures

Interest Paid	\$0
Taxes Paid	\$0

The notes to the financial statements are an integral part of these statements.

WEST SALINE WATER USERS ASSOCIATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

West Saline Water Users Association, Inc. (Association) was incorporated as an Arkansas nonprofit Organization on August 19, 1977, for the purpose of constructing, maintaining, and operating a private association in order to supply potable water to its members. As such, the corporation is organized without capital stock. The Association serves approximately 750 members in rural areas surrounding New Edinburg, Cleveland County, Arkansas.

Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when the user receives water or services and has incurred an obligation to pay for the water or services. Expenses and obligations to pay are recorded when the expense or obligation has been received.

Property, Plant & Equipment

The Association depreciates the cost of its assets over their estimated useful life. These useful lives are estimated to range over a period from three to forty years.

Depreciation amounted to \$87,766 for the year ended December 31, 2018, and \$89,405 for December 31, 2017.

Concentration of Credit Risk

The Association provides services to approximately 750 members in its geographic area. The accounts receivable are from these customers. This results in a concentration of receivables in a small geographic area.

Cash is maintained in demand deposits and certificates of deposits in local banks and a Federal Credit Union. All the Association's deposits are insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. Deposits are insured up to a limit of \$250,000 with each bank and credit union. Cash at the 2018 and 2017 year ends exceeded federally insured limits by \$79,572 and \$49,925, respectively. The Association maintains its cash with high quality financial institutions which the Association believes limits these risks.

WEST SALINE WATER USERS ASSOCIATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accrued Compensated Absences

It is the practice of the Association to record vacation pay expenses when paid rather than when earned. This is a departure from generally accepted accounting principles. However, the unrecorded liabilities are not materially significant.

Sales Taxes

Revenue reported from the sale of water was reported net of sales taxes of \$27,059 for 2018 and \$27,070 for 2017.

Restriction of Certain Cash Balances

Meter deposits of the patrons must be accounted for separately from revenue and operation and maintenance funds. As of December 31, 2018 and 2017, restricted cash consisted of funds deposited into a separate account for meter deposits.

Property and Equipment

The Association capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis. Routine repairs and maintenance are expensed as incurred.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits and certificates of deposit. Interest income on certificates of deposit is recorded as income when earned. Cash and cash equivalents exclude cash designated as restricted for customer deposits.

WEST SALINE WATER USERS ASSOCIATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are reported at the unpaid balances less an allowance for doubtful accounts. A provision is made for doubtful accounts after consideration by management as to the collectability of the accounts. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

NOTE 2: WATER RATE STRUCTURE

Members of the Association are billed a minimum rate of \$10.00 for each meter. All water usage is billed at the rate of \$4.76 per 1,000 gallons.

NOTE 3: INCOME TAXES

The Association is organized to be exempt from federal and state income taxes under Internal Revenue Code Section 501(C)(12). As an exempt organization no provision is made for federal or state income taxes. The Association does not engage in any non-related business activities. The Organization's Department of the Treasury 990 information returns are subject to examination generally for three years after the filing date.

NOTE 4: RELATED PARTY TRANSACTIONS

Board members and employees purchase water from the Association on the same basis as all other members. The total sales and amounts receivable from these related parties are not materially significant.

NOTE 5: COMMITMENT

The Association entered into an agreement May 16, 1996, with the Town of Tinsman, Arkansas to assume operation and management of the town's water system. The Association incurred no expense in the reconstruction of the Town's water distribution, nor did the Association assume any outstanding liabilities of the Tinsman system. The Association accepted conveyance of the system and operates it, but is under no obligation to expand its water supply or transportation system capacity above its current capacity.

WEST SALINE WATER USERS ASSOCIATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5: COMMITMENT (Continued)

The parties agreed that twenty (20) years from and after the date of agreement to review the arrangement and, if both parties agree, the Association shall reconvey the system to the Town of Tinsman. The fair market of the Tinsman Water System was estimated to be \$245,000 at the time of the transaction.

At December 31, 2018, the Association and the Town of Tinsman have continued this agreement with no reconveyance.

NOTE 6: LIQUIDITY OF AVAILABLE OF FINANCIAL ASSETS

The Association has \$574,760 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$545,869 and accounts receivable of \$28,891.

NOTE 7: RETIREMENT PLAN

The Association has established a Simplified Employee Pension Plan (SEP) for the benefit of its employees. Twenty five percent of the employee's salary is contributed to the plan. The total contribution for the year ended December 31, 2018 was \$15,514 and \$14,799 at December 31, 2017.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Association has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Association's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about the liquidity and availability of resources. (Note 7)

WEST SALINE WATER USERS ASSOCIATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENT (Continued)

The changes have the following effect on net assets at December 31, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$1,315,826	\$ 0
Net assets without donor restrictions	<u>0</u>	<u>1,315,826</u>
Total net assets	<u><u>\$1,315,826</u></u>	<u><u>\$1,315,826</u></u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 9: SUBSEQUENT EVENTS

The Association evaluated subsequent events through February 23, 2019, the date the financial statements were issued.