

**PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019**



**SHEFFIELD & SHEFFIELD LLC
CERTIFIED PUBLIC ACCOUNTANTS
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MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
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PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
BOARD OF DIRECTORS
DECEMBER 31, 2019

<u>Directors</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
Roy Joe Harris 527 McMahaus Chapel Road, San Augustine, TX 75972 936/275-7970	President	2018	3 yrs.
Richard Tuttle 50 Northstar Ln, Many, LA 71449 616/318-0084	Vice President	2018	3 yrs.
Rhonda Dean 2655 Pilcher Road, Many, LA 71449 318/590-0599	Secretary	2018	3yrs.
Mike Meyer 370 Southern Leisure Rd, Many, LA 71449 281/469-7134		2019	3 yrs.
Chester Pruett 100 Northstar Ln, Many, LA 71449 318/256-8033		2018	3 yrs.

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
TABLE OF CONTENTS
DECEMBER 31, 2019

	<u>PAGE</u>
Accountant's Compilation Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5



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ACCOUNTANT'S COMPILATION REPORT

Board of Directors
Pendleton Water Association, Inc.
Many, Louisiana 71449

Management is responsible for the accompanying financial statements of Pendleton Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Pendleton Water Association, Inc.

Sheffield & Sheffield, LLC
Natchitoches, Louisiana
July 16, 2020

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 55,527	\$ 23,394
Accounts receivable, net of allowance for doubtful accounts	32,134	25,830
Prepaid expense	<u>7,095</u>	<u>8,779</u>
Total Current Assets	94,756	58,003
Restricted assets	44,722	41,942
Capital assets, net of accumulated depreciation	622,877	704,776
Utility deposits	<u>200</u>	<u>200</u>
Total Assets	<u>\$ 762,555</u>	<u>\$ 804,921</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 19,646	\$ 18,736
Accounts payable	<u>14,105</u>	<u>17,251</u>
Total Current Liabilities	33,751	35,987
Noncurrent Liabilities		
Long-term debt, net of current portion	<u>198,932</u>	<u>218,579</u>
Total Long-term Liabilities	198,932	218,579
Total Liabilities	232,683	254,566
NET ASSETS		
Restricted		
Retirement of long-term debt	44,722	41,942
Unrestricted	<u>485,150</u>	<u>508,413</u>
Total Net Assets	<u>529,872</u>	<u>550,355</u>
Total Liabilities and Net Assets	<u>\$ 762,555</u>	<u>\$ 804,921</u>

See accompanying notes and accountant's report.

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Water sales and fees	\$ 428,425	\$ 341,736
Other	<u>9,246</u>	<u>7,214</u>
Total Revenues	437,671	348,950
EXPENSES		
Advertising	1,277	2,355
Bad debt expense	0	0
Chemicals	32,993	38,428
Depreciation	81,899	82,420
Employee benefits	20,774	17,526
Insurance	15,638	15,064
Lab test water	1,135	1,440
Licenses and permits	421	135
Miscellaneous	500	424
Office expense	2,988	2,708
Outside services	17,321	35,440
Payroll taxes	8,135	7,472
Postage	6,554	9,582
Professional services	8,025	7,690
Rent	0	2,153
Repairs and maintenance	76,218	48,055
Salaries	104,387	95,445
Telephone	12,181	12,193
Training	2,574	2,790
Utilities	36,535	38,869
Vehicle expense	4,625	4,597
Water purchases	<u>13,205</u>	<u>12,259</u>
Total Expenses	<u>447,385</u>	<u>437,045</u>
Operating Income	(9,714)	(88,095)
Nonoperating Revenues/(Expenses)		
Interest income	86	188
Interest expense	<u>(10,855)</u>	<u>(11,723)</u>
Total Nonoperating Revenues/(Expenses)	<u>(10,769)</u>	<u>(11,535)</u>
Increase/(Decrease) in Net Assets	(20,483)	(99,630)
Net Assets, Beginning of year	<u>550,355</u>	<u>649,985</u>
Net Assets, End of year	<u>\$ 529,872</u>	<u>\$ 550,355</u>

See accompanying notes and accountant's report.

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase/(decrease) in net assets	\$ (20,483)	\$ (99,630)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	81,899	82,420
Bad debt expense	0	0
(Increase)/decrease in operating assets		
Accounts receivable	(6,304)	(9,377)
Prepaid expense	1,684	163
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	<u>(3,146)</u>	<u>(5,645)</u>
Net Cash Provided by/(Used in) Operating Activities	53,650	(32,069)
Cash Flows Provided by/(Used in) Investing Activities		
Purchase of furniture and equipment and plant and distribution lines	<u>0</u>	<u>(12,019)</u>
Net Cash Provided by/(Used in) Investing Activities	0	(12,019)
Cash Flows Provided by/(Used in) Financing Activities		
Principal payments on long-term debt	<u>(18,737)</u>	<u>(17,869)</u>
Net Cash Provided by/(Used in) Financing Activities	<u>(18,737)</u>	<u>(17,869)</u>
Net Increase/(Decrease) in Cash and cash equivalents	34,913	(61,957)
Cash and cash equivalents, Beginning of year	<u>65,336</u>	<u>127,293</u>
Cash and cash equivalents, End of year	<u>\$ 100,249</u>	<u>\$ 65,336</u>

SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION

Cash payments for interest expense for the years ended December 31, 2019 and 2018 were \$10,867 and \$11,735, respectively.

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pendleton Water Association, Inc., (the "Association") a not-for-profit corporation was established under the laws of the State of Louisiana on April 3, 1980. The Association's purpose is to provide water service to any user within its geographical boundaries. It is operated by a board which consists of five elected directors, each serving three year terms. The directors receive no compensation for their service.

A. Method of Accounting

The financial statements of the Pendleton Water Association, Inc. have been prepared utilizing the accrual basis of accounting.

B. Financial Statement Presentation

The Pendleton Water Association, Inc. adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the System is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the system is required to present a statement of cash flows. The system has discontinued its use of fund accounting and, accordingly, has reclassified its financial statements to present the three classes of net assets.

C. Use of 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.

D. Cash and Cash Equivalents

Cash includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also may withdraw funds at any time without prior notice or penalty.

Cash equivalents includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

E. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Allowance for Doubtful Accounts

Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 2019, the Pendleton Water Association, Inc. had an allowance for doubtful accounts of \$7,530.

G. Restricted Net Assets

As of December 31, 2019, \$44,722 in net assets were restricted in use by a loan agreement with the Farmers Home Administration for repayment of loans to the Farmers Home Administration.

H. Property, plant and equipment

Property, plant and equipment are carried at historical cost. Depreciation is calculated using the straight line method over the estimated useful life of the assets, generally 20 to 40 years for buildings and improvements, 20 to 25 years for the water distribution system and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major expenditures for renewals and betterments are capitalized. At December 31, 2019, no historical records supporting the carrying value of fixed assets could be located. Management is currently making an effort to locate these records, but none were available at the time of the compilation. Based on the lack of supporting documents, we could not make a determination on the carrying value of the fixed assets, accumulated depreciation, or depreciation expense for the year ended December 31, 2019.

I. Accumulated Unpaid Vacation

The Pendleton Water Association, Inc. has no liability for accumulated unpaid vacation at December 31, 2019.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents is summarized as follows:

Demand deposit accounts	\$ 8,138
Interest bearing accounts	92,111
Total	<u> \$ 100,249</u>

As of December 31, 2019, the Pendleton Water Association, Inc. had \$100,249 in bank deposits. These deposits were secured from risk by \$100,249 of federal deposit insurance.

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 3 RESTRICTED ASSETS

At December 31, 2019, Pendleton Water Association, Inc. had the following restricted assets:

Cash and cash equivalents	\$ <u>44,722</u>
Total	\$ <u><u>44,722</u></u>

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Balance <u>December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2019</u>
Land	\$ 3,796	\$ 0	\$ 0	\$ 3,796
Buildings and improvements	109,219	0	0	109,219
Water distribution system	2,133,631	0	0	2,133,631
Automobiles	15,993	0	0	15,993
Machinery and equipment	138,104	0	0	138,104
Accumulated depreciation	<u>(1,695,967)</u>	<u>(81,899)</u>	<u>0</u>	<u>(1,777,866)</u>
Total	<u>\$ 704,776</u>	<u>\$ (81,899)</u>	<u>\$ 0</u>	<u>\$ 622,877</u>

NOTE 5 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at December 31, 2019:

<u>Class of Payable</u>	
Vendor	\$ 6,920
Payroll liabilities	<u>7,185</u>
Total	<u>\$ 14,105</u>

NOTE 6 NOTES PAYABLE

Note payable, FmHA, bearing interest at 4.75%, with monthly principal and interest payments of \$1,804, maturing on April 2026.	\$ 126,979
Note payable, FmHA, bearing interest at 4.75%, with monthly principal and interest payments of \$663, maturing April 2036.	<u>91,599</u>
Total Debt	218,578
Less: Current Portion	<u>(19,646)</u>
Long-term Portion of Debt	<u>\$ 198,932</u>

PENDLETON WATER ASSOCIATION, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 6 NOTES PAYABLE (CONTINUED)

Future scheduled maturities of long-term debt are as follows:

<u>Years ending</u> <u>December 31,</u>	
2020	\$ 19,646
2021	20,599
2022	21,599
2023	22,648
2024	23,747
2025-2029	64,763
2030-2034	32,608
2035-2036	12,968
Total	<u>\$ 218,578</u>

NOTE 7 PENSIONS

All employees of the Pendleton Water Association, Inc. are covered under the social security system. The employees pay 6.2% of their total salaries into the system and the Association pays 6.2%. The employees and Association contributed \$6,472 and \$6,472, respectively, to the social security system for the year ended December 31, 2019. The payroll for employees covered by the social security system for the year ended December 31, 2019 was \$104,387 and the Association's total payroll for the year ended December 31, 2019 was \$104,387. Data concerning the actuarial status of this system is unavailable. Future deficits in this system will be financed by the federal government and the Association has no further liability to the system.

NOTE 8 LITIGATION

The Pendleton Water Association, Inc. was involved in one lawsuit at December 31, 2019. The lawsuit is being handled by the Association's insurer and the Association does not expect there to be any liability in this case.

NOTE 9 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Pendleton Water Association, Inc.'s financial instruments, none of which are held for trading purposes, include cash, receivables and notes payable. The Association estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Association using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Association could realize in a current market exchange.

NOTE 10 DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2020, the date which the financial statements were available to be issued.