

**HUDSON GAARS MILL
WATER SYSTEM, INC.**

FINANCIAL REPORT
DECEMBER 31, 2019

SHANNA JONES, CPA
WINNFIELD, LOUISIANA

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LOUISIANA

FINANCIAL REPORT
DECEMBER 31, 2019

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Shanna Jones, CPA

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of
Hudson Gaars Mill Water System, Inc.

Management is responsible for the accompanying financial statements of Hudson Gaars Mill Water System, Inc. (a Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, function of expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I 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. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Other Matter

Supplementary Information

Act 462 of 2015, which amends Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer supplement the financial statements. I have applied certain limited procedures to the required supplementary information presented on page 13, in accordance with accounting principles 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 my inquiries, the financial statements, and other knowledge I obtained during my compilation of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

I am not independent with respect to Hudson Gaars Mill Water System, Inc.

Shanna Jones

Shanna Jones, CPA
Winnfield, Louisiana
February 21, 2020

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$ 19,731
Accounts Receivable	12,695
Prepaid Expense	<u>362</u>
Total Current Assets	32,788

Non-Current Assets:

Restricted Cash	16,947
Capital Assets (Net)	<u>76,336</u>
Total Non-Current Assets	<u>93,283</u>

Total Assets	<u>\$ 126,071</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 5,321
Sales Tax Payable	16
Payroll & Related Liabilities	249
Customer Deposit Liabilites	<u>13,120</u>

Total Liabilities	18,706
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NET ASSETS:

Without Donor Restrictions	107,365
With Donor Restrictions	<u>-</u>
Total Net Assets	<u>107,365</u>

Total Liabilities and Net Assets	<u>\$ 126,071</u>
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See accompanying notes and accountant's compilation report.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets:			
REVENUES:			
Water Sales	\$ 110,130		\$ 110,130
Other Related Fees	3,575		3,575
Grant Income	-	30,000	30,000
Miscellaneous	4,247		4,247
Interest Earned	35		35
Net Assets Released from Restrictions:			
Satisfaction of Restrictions	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
 Total Revenues	 147,987	 -	 147,987
 EXPENSES:			
Program:			
Program Services	96,479		96,479
Supporting:			
Management & General	<u>19,360</u>		<u>19,360</u>
 Total Expenses	 115,839	 -	 115,839
 Change in Net Assets	 32,148	 -	 32,148
Net Assets January 1, 2019	<u>75,217</u>	<u>-</u>	<u>75,217</u>
Net Assets December 31, 2019	<u>\$ 107,365</u>	<u>\$ -</u>	<u>\$ 107,365</u>

See accompanying notes and accountant's compilation report.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF FUNCTION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Without Donor Restrictions:

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Water</u>	<u>Management & General</u>	<u>Total</u>
Advertising—Legal		\$ 771	\$ 771
Accounting		2,425	2,425
Contract Labor		800	800
Depreciation	\$ 660	-	660
Dues & Subscriptions	300	409	709
Insurance	-	3,211	3,211
Office Supplies	-	1,408	1,408
Payroll	-	6,497	6,497
Postage	-	1,223	1,223
Professional Fees	-	1,007	1,007
Rent	-	203	203
Repairs & Maintenance	17,628	-	17,628
System Supplies	1,896	-	1,896
Taxes, Licenses & Permits	2,611	1,406	4,017
Utilities	6,388	-	6,388
Water Purchased	59,196	-	59,196
Water Testing	<u>7,800</u>	<u>-</u>	<u>7,800</u>
 Total Expenses	 <u>\$ 96,479</u>	 <u>\$ 19,360</u>	 <u>\$ 115,839</u>

See accompanying notes and accountant's compilation report.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 32,148
Adjustments to Reconcile Changes in Net Assets to	
Net Cash Provided by/(Used In) Operating Activities:	
Depreciation	660
Changes in Assets & Liabilities:	
(Increase)/Decrease in Accounts Receivable, Net	(4,936)
(Increase)/Decrease in Prepaid Expense	(362)
Increase/(Decrease) in Accounts Payable	921
Increase/(Decrease) in Sales Tax Payable	(43)
Increase/(Decrease) in Payroll Related Payable	(824)
Increase/(Decrease) in Customer Deposit Liabilities	<u>(175)</u>
Net Cash Provided by/(Used In) Operating Activities	<u>27,389</u>
Cash Flows from Investing Activities:	
Purchases of Assets	(1,500)
(Increase)/Decrease in Construction in Progress	(46,596)
Disposal of Certificate of Deposit	<u>16,998</u>
Net Cash Provided by/(Used In) Investing Activities	<u>(31,098)</u>
Cash Flows from Financing Activities:	
None	<u>-</u>
Net Cash Provided By/(Used In) Financing Activities	<u>-</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(3,709)
Cash & Cash Equivalents—Beginning of Year	<u>40,387</u>
Cash & Cash Equivalents—End of Year	<u>\$ 36,678</u>
Cash & Cash Equivalents—Beginning of Year	
Unrestricted Cash	\$ 27,092
Restricted Cash	<u>13,295</u>
Total Cash & Cash Equivalents—Beginning of Year	<u>\$ 40,387</u>
Cash & Cash Equivalents—End of Year	
Unrestricted Cash	\$ 19,731
Restricted Cash	<u>16,947</u>
Total Cash & Cash Equivalents—End of Year	<u>\$ 36,678</u>

See accompanying notes and accountant's compilation report.

NOTES TO FINANCIAL STATEMENTS

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1—INTRODUCTION

The Hudson Gaars Mill Water System, Inc. was formed as a non-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-209, of the Louisiana Revised Statutes in 1977. The Corporation was formed for the mutual benefit of its members to construct, maintain, and operate a private water system providing a supply of water to its membership. Persons who are owners or part owners, or have a substantial possessory interest in property desired to be served by the corporation's water system, shall be admitted as members. The voting power and property rights and interest of each member whose fees are fully paid and who is in good standing shall be equal and each member shall be entitled to one vote only regardless of the number of membership certificates held.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Hudson Gaars Mill Water System, Inc. conform to generally accepted accounting principles as applicable to nonprofit organizations. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*.

Basis of Presentation

The Hudson Gaars Mill Water System, Inc. has adopted the provisions of FASB Accounting Standards Codification 958-205. Under the new Accounting Standards Update 2016-14, the Hudson Gaars Mill Water System, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Hudson Gaars Mill Water System, Inc. is required to present a statement of cash flows.

Measurement Focus and Basis of Accounting

The Hudson Gaars Mill Water System, Inc. uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Assets Liabilities and Equity

Cash and Cash Equivalents—The Water System's cash and cash equivalents are considered to be cash in demand deposits, interest bearing deposits and time deposits of less than 90 days as applicable.

Restricted Cash and Cash Equivalents—The Water System has cash in demand deposits and interest bearing deposits that is restricted by grants or loans and others by customer deposits. The Water System collects deposits from their water customers. These collections are primarily kept in a separate account restricted for utility deposits.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Equity Classifications— Under FASB Accounting Standards Update 2016-14, financial position is classified as net assets and displayed in two components as applicable. The components are as follows:

Net Assets with Donor Restrictions — The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions — The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

At December 31, 2019 the Water System had no funds in Net Assets with Donor Restrictions. All \$107,365 of Net Assets were made up Net Assets without Donor Restrictions.

Inventories—The Water System does not maintain inventories. Supplies are purchased on an as needed basis and are used normally within the year purchased.

Capital Assets—The Hudson Gaars Mill Water System, Inc. has depreciable fixed assets that are depreciated over the estimated useful life of the related asset. Depreciation is computed on the straight line basis. The assets estimated useful lives are as follows:

Water Distribution System/Line Extension	40 years
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The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. When plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved, and any gain or loss is included in activities.

Leases—There were no leases in effect during the year ended December 31, 2019.

Compensated Absences—There are no full-time employees, therefore no entry is made to record compensated absences.

Budget—The Hudson Gaars Mill Water System, Inc. is not required to adopt a budget, except for specific grant usage. Accordingly, no budget comparisons have been presented.

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Income Taxes—The Hudson Gaars Mill Water System, Inc. is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

NOTE 3—CASH AND CASH EQUIVALENTS

Under state law, the Water System may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

At December 31, 2019, the carrying amount of the Hudson Gaars Mill Water System Inc.'s cash and cash equivalents totaled \$36,678. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agents. These securities are held in the name of the pledging fiscal agent banks in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2019, the Water System bank balances totaled \$42,729; the Water System was fully insured by FDIC at fiscal year-end.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019, consisted of \$12,695 due from water customers. The Water System services approximately 226 residential and commercial customers. At December 31, 2019, all accounts were considered collectible and therefore no provision for uncollectible accounts was made at this time.

NOTE 5—CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2019 are as follows:

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
Capital Assets:				
Non-Depreciable				
Land	\$ 2,500	\$ 1,500	\$ -	\$ 4,000
Construction in Progress	-	46,596	-	46,596
Depreciable				
Water Distribution System	<u>26,400</u>	<u>-</u>	<u>-</u>	<u>26,400</u>
Subtotal of Assets	28,900	48,096	-	76,996
Less: Accumulated Depreciation				
Water Distribution System	<u>-</u>	<u>660</u>	<u>-</u>	<u>660</u>
Net Capital Assets	<u>\$ 28,900</u>			<u>\$ 76,336</u>

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
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In Construction in Progress there is a building purchase and improvement cost of \$16,596 along with engineering and study fees of \$30,000 related to a grant project which began during the fiscal year ended December 31, 2019. The Water system anticipates additional grant and loan monies for system improvements that must coincide. Final approval is pending.

The system is currently run off of the Sikes Water System with only line extensions and land in Hudson Gaars Mill Water System's asset list.

Depreciation expense for the year ended December 31, 2019 totaled \$660.

NOTE 6—GRANT

The Hudson Gaars Mill Water System received \$30,000 in grants from the USDA Rural Development in the current fiscal year for engineering and study fees related to water system improvements. This is an ongoing project with additional grant money expected in the following year.

NOTE 7—RESERVES/RESTRICTIONS

Under FASB ASU 2016-14 only net assets restricted by donors is grouped as restricted in equity; however some cash was required to be reserved/restricted by the loan and grant. These monies are released from restriction when the loan is repaid or monies are used for approved purchases associated with the grant.

As mentioned in Note 6, USDA Rural Development awarded a grant to the Water System for \$30,000. This money received and dispersed in May 2019 was for engineering fees of \$25,005 and \$4,995 for environmental analysis and testing. This cash was restricted for the above mentioned purpose and related to a subsequent water system improvement project which as of the date of this report has not begun. Cash used to open the USDA grant funds account remained at \$18 as of December 31, 2019 as restricted cash.

Once money was received related to the USDA Rural Development project in May the Water System became required to place \$315.30 per month in a Debt Service Reserve account. At December 31, 2019 \$2,550 in cash was in the restricted for the Debt Service Reserve account.

Also related to the USDA Rural Development grant and loan project an account listed as Reserved for Short Lived Asset Fund was required to be set up. The document stated \$14,508 must be deposited annually into the account. Actual work for the project has not begun however approximately \$1,259 was deposited into this reserve account as of December 31, 2019.

The Water System expects estimated loan funds of \$976,000 and additional grant funds of \$826,000 related to the project if fully approved to proceed. These federal funds will be under CFDA No. 10.760. Interim financing of the loan is expected.

HUDSON GAARS MILL WATER SYSTEM, INC.
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NOTES TO FINANCIAL STATEMENTS
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Also included in restricted cash is approximately \$13,120 related to the deposits the Water System collected from their water customers. These utility deposits are classified as restricted because their use is limited.

NOTE 8—DONATED SERVICES, MATERIALS, AND FACILITIES

The Hudson Gaars Mill Water System, Inc. received no donated services or materials in the operation of the system in the current fiscal year. The water system does not use any donated facilities.

NOTE 9—LITIGATION

The Hudson Gaars Mill Water System, Inc. was not involved in any litigation at December 31, 2019.

NOTE 10—RELATED PARTY DISCLOSURES

The water system has a board member also listed as an officer paid for bookkeeping services. The secretary, Linda Bustin, is paid as a part-time employee and received a W-2 in the amount of \$5,956. Included in accounts payable is the \$541 owed to the bookkeeper at December 31, 2019. Also a board member, Terry Rhodes, is compensated for work performed on the lines and reading meters for the system. He received a 1099MISC for his compensation in the amount of \$9,479. Included in accounts payable is the \$820 owed for this work at December 31, 2019.

NOTE 11—COMPENSATION OF BOARD DIRECTORS

The members of the Board of Directors of the Hudson Gaars Mill Water System receive no compensation for their services as directors.

NOTE 12—OTHER DISCLOSURES

Management has evaluated events through February 21, 2020, the date which the financial statements were available for issue. There were no items noted to be reported as subsequent events, other than approval for construction on the water system improvements related to the USDA loans and grants was still in progress.

SUPPLEMENTARY INFORMATION

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
SCHEDULE OF COMPENSATION
FOR THE YEAR ENDED DECEMBER 31, 2019

In accordance with Act 462 of 2015 which amends Act 706 of the 2014 Legislative Session, payments to Agency Head or Chief Executive Officer must be disclosed. Included in the Disclosure Requirements are any reimbursements of travel or per diem, payments of salary, or payments to retirement or health insurance, providing of a vehicle, etc. for the Agency Head. The Agency Head of the Hudson Gaars Mill Water System, Inc. would be its Board Members: Terry Rhodes—President, Judy Howell—Vice President, Linda Bustin—Treasurer, Delton Carpenter—Secretary and Members at Large (deceased in 2019): Cal Bain and Barbara Spence.

For a non-profit entity only payments made from public funds are required to be included. Public funds are defined as those made from the State or Federal. As no payments were noted to be made with public funds no disclosure is required.

See accountant's compilation report.