

MILLSAP WATER SUPPLY CORPORATION

**Annual Financial Statements
For the Years Ending November 30, 2019 and 2018**

MILLSAP WATER SUPPLY CORPORATION
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November 30, 2019

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MILLSAP WATER SUPPLY CORPORATION
Principal Officials
November 30, 2019

<u>Name</u>	<u>Office</u>
Kenneth Barnes	President
Arnold Garrett	Vice President
Fred Griffin	Secretary/Treasurer
Jason Schrick	Board Member
Joe D. Young	Board Member
David Meals	Board Member
Jamie French	Board Member
Dawne Steen	Bookkeeper/Office Manager
Matt Souders	Operator

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Millsap Water Supply Corporation

We have audited the accompanying financial statements of Millsap Water Supply Corporation (a nonprofit organization), which comprise the balance sheets as of November 30, 2019 and 2018, and the related statements of revenue and expenses, net assets and members' equity, and cash flows for the years 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 audits. We conducted our audits 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 Millsap Water Supply Corporation as of November 30, 2019 and 2018, and the changes in members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Snow Garrett Williams

Snow Garrett Williams
January 17, 2020

MILLSAP WATER SUPPLY CORPORATION
Balance Sheets
November 30, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 323,288	\$ 310,523
Accounts receivable	48,726	45,772
Inventory	31,873	32,660
TOTAL CURRENT ASSETS	403,887	388,955
PROPERTY AND EQUIPMENT, AT COST		
Land	15,471	15,471
Easements	5,900	5,900
Buildings	118,285	75,620
Building improvements	101,226	98,785
Construction in progress	4,727	5,285
Water distribution system	1,212,279	1,157,735
Vehicle	34,993	34,993
Equipment	5,282	5,282
Office equipment	10,938	9,214
Total Property and Equipment	1,509,101	1,408,285
Less: Accumulated depreciation	(949,916)	(906,005)
NET PROPERTY AND EQUIPMENT	559,185	502,280
OTHER ASSETS		
Utility deposit	50	50
TOTAL OTHER ASSETS	50	50
TOTAL ASSETS	\$ 963,122	\$ 891,285

The accompanying notes are an integral part of these statements.

MILLSAP WATER SUPPLY CORPORATION
Balance Sheets
November 30, 2019 and 2018

LIABILITIES, NET ASSETS AND MEMBERS' EQUITY	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 17,640	\$ 12,899
Payroll taxes payable	2,170	2,084
TOTAL CURRENT LIABILITIES	19,810	14,983
NET ASSETS AND MEMBERS' EQUITY		
Without Restrictions:		
Net assets	410,102	361,841
Memberships	117,882	114,933
Donated capital	415,328	399,528
TOTAL NET ASSETS AND MEMBERS' EQUITY	943,312	876,302
TOTAL LIABILITIES, NET ASSETS AND MEMBERS' EQUITY	\$ 963,122	\$ 891,285

The accompanying notes are an integral part of these statements.

MILLSAP WATER SUPPLY CORPORATION
Statements of Revenues and Expenses
For the Years Ended November 30, 2019 and 2018

<u>WITHOUT RESTRICTIONS</u>	2019	2018
REVENUES		
Water revenue	\$ 373,472	\$ 355,287
Connect and installation fees	2,508	2,997
Late payment charges	12,200	11,440
TOTAL REVENUES	388,180	369,724
COST OF GOODS SOLD		
Water purchases	134,825	117,507
Direct labor	46,521	45,224
Contract labor	14,985	11,658
Equipment rental	210	360
Utilities	2,784	3,469
Plant supplies and chemicals	674	754
Lab costs	1,707	1,837
TOTAL COST OF GOODS SOLD	201,706	180,809
GROSS PROFIT	186,474	188,915
OPERATING EXPENSES		
Accounting	15,450	10,935
Advertising	1,059	450
Bad debt	5,046	1,675
Building and land rent	765	1,523
Depreciation	43,911	34,143
Dues and subscriptions	658	1,001
Fuel	1,721	1,767
Insurance	18,846	19,187
Licenses and fees	2,977	2,772
Miscellaneous expenses	4,665	6,869
Office salaries	34,200	33,171
Office supplies	6,793	15,290
Other taxes	3,914	3,132
Postage	4,133	3,101
Payroll taxes	7,746	7,430
Repairs and maintenance	9,942	9,648
Telephone and utilities (office)	5,894	4,461
Training	940	-
TOTAL OPERATING EXPENSES	168,660	156,555
NET OPERATING INCOME	17,814	32,360
OTHER REVENUE AND (EXPENSES)		
Interest revenues	835	1,406
Gain on disposal of assets	-	88,102
Miscellaneous revenues	29,612	2,894
TOTAL OTHER REVENUE AND (EXPENSES)	30,447	92,402
INCREASE IN NET ASSETS	\$ 48,261	\$ 124,762

The accompanying notes are an integral part of these statements.

MILLSAP WATER SUPPLY CORPORATION
Statements of Net Assets and Members' Equity
November 30, 2019 and 2018

2019	Without Restrictions			Total
	Net Assets	Memberships	Donated Capital	
Beginning Balance	\$ 361,841	\$ 114,933	\$ 399,528	\$ 876,302
Net Increase (Decrease)	48,261	-	-	48,261
Memberships (Net)	-	2,949	15,800	18,749
Ending Balance	<u>\$ 410,102</u>	<u>\$ 117,882</u>	<u>\$ 415,328</u>	<u>\$ 943,312</u>

2018	Without Restrictions			Total
	Net Assets	Memberships	Donated Capital	
Beginning Balance	\$ 237,079	\$ 106,187	\$ 385,428	\$ 728,694
Net Increase (Decrease)	124,762	-	-	124,762
Memberships (Net)	-	8,746	14,100	22,846
Ending Balance	<u>\$ 361,841</u>	<u>\$ 114,933</u>	<u>\$ 399,528</u>	<u>\$ 876,302</u>

The accompanying notes are an integral part of these statements.

MILLSAP WATER SUPPLY CORPORATION

Statements of Cash Flows November 30, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 48,261	\$ 124,762
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	43,911	34,143
Gain on disposal of asset	-	(88,102)
(Increase) decrease in:		
Accounts receivable	(2,954)	(3,466)
Inventory	787	2,504
Increase (decrease) in:		
Accounts payable	4,741	1,871
Payroll taxes payable	86	271
Net Cash Provided by Operating Activities	94,832	71,983
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(85,574)	(195,877)
Proceeds from disposal of assets	558	102,000
Net Cash Used in Investing Activities	(85,016)	(93,877)
CASH FLOW FROM FINANCING ACTIVITIES		
Net membership additions	2,949	8,746
Net Cash Provided by Financing Activities	2,949	8,746
NET INCREASE/(DECREASE) IN CASH	12,765	(13,148)
Cash and Cash Equivalents		
Beginning of the Year	310,523	323,671
CASH AND CASH EQUIVALENTS		
End of the Year	\$ 323,288	\$ 310,523
SUPPLEMENTAL DATA:		
NON-CASH CAPITAL AND RELATED INVESTING AND FINANCING ACTIVITIES:		
Capital contribution of property and equipment	\$ 15,800	\$ 14,100

The accompanying notes are an integral part of these statements.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Millsap Water Supply Corporation is a nonprofit organization comprised of the members of the community purchasing a membership. The governing body is a Board of Directors elected at large from the members; officers are elected among the Board Members. The purpose of the Corporation is to provide rural water service to its members at as low a cost as possible.

Financial Statement Presentation:

The Corporation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, all revenues are recognized when earned and expenses are recognized in the period in which the liabilities are incurred. Expenses are reported in the financial statements according to their natural classification under a single function of operating expenses related to the sale of water. As mentioned above, the Corporation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without restrictions: Net assets that are not subject to restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the Board of Directors.

Net assets with restrictions: Net assets subject to stipulations imposed by others including contracts, grants, and legal documents such as bond documents. Some restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other restrictions are perpetual in nature, whereby the funds are maintained in perpetuity.

There were no restrictions on the corporations net assets and members' equity for the fiscal years ended November 30, 2019 and 2018.

Inventory:

Inventory consists of materials and supplies used for repairs and is recorded at cost, which approximates market, using the last-in, first-out method.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment:

Donations of property and equipment (including water distribution system) are recorded as unrestricted support at their fair value when the assets are placed in service. Property and equipment are stated at cost with a capitalization threshold of \$1,000 and a useful life of more than one to three years. Depreciation expense is calculated on the straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of the major classes of assets are as follows:

Buildings	39 years
Building Improvements	10 years
Water System	20-50 years
Machinery and Equipment	5-10 years
Office Equipment	5-10 years

Maintenance and repairs are charged to expense as incurred. When facilities are retired or disposed of, the cost is removed from the asset accounts and the related depreciation reserve is adjusted with the difference being charged to income.

Bad Debts:

The Corporation writes off bad debts to income when determined that an account is uncollectible. It is management's opinion that substantially all receivables at November 30, 2019 and 2018 are collectible. Accordingly, no allowance for bad debts is required.

Income Taxes:

The Corporation is qualified as an exempt organization for federal income tax purposes under Internal Revenue Code Section 501(c) (12) and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination of taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Corporation's financial condition, results of operations or cash flows. Accordingly, the Corporation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at November 30, 2019.

The Corporation is subject to routine audits by taxing jurisdictions: however, there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for years prior to November 30, 2015.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents:

For purposes of the statement of cash flows, the Corporation considers all unrestricted cash and highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Use of Estimates:

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

NOTE 2 - DEPOSITS, SECURITIES AND INVESTMENTS

The Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the bank that were over the FDIC limit. However, at November 30, 2019 and 2018, the Corporation had no uninsured cash balances.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The Corporation's financial assets reported as current assets at November 30, 2019 and 2018 of \$403,887 and \$388,955, respectively, are available to meet the Corporation's general expenses over the next year from the balance sheet date. The Corporation's goal is generally to maintain liquidity and provide timely working funds that are sufficient to cover anticipated expenses over the next twelve months.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2019 and 2018

NOTE 4 - CHANGES IN PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

2019				
	Balance 12/1/2018	Additions	Deletions	Balance 11/30/2019
Land	\$ 15,471	\$ -	\$ -	\$ 15,471
Easements	5,900	-	-	5,900
Buildings	75,620	42,665	-	118,285
Building improvements	98,785	2,441	-	101,226
Construction in progress	5,285	-	558	4,727
Water distribution system	1,157,735	54,544	-	1,212,279
Vehicle	34,993	-	-	34,993
Equipment	5,282	-	-	5,282
Office equipment	9,214	1,724	-	10,938
Totals	<u>\$ 1,408,285</u>	<u>\$ 101,374</u>	<u>\$ 558</u>	<u>\$ 1,509,101</u>
2018				
	Balance 12/1/2017	Additions	Deletions	Balance 11/30/2018
Land	\$ 1,275	\$ 14,196	\$ -	\$ 15,471
Easements	5,900	-	-	5,900
Buildings	11,065	75,620	11,065	75,620
Building improvements	41,915	98,785	41,915	98,785
Construction in Progress	4,727	558	-	5,285
Water distribution system	1,132,845	28,961	4,071	1,157,735
Vehicle	34,993	-	-	34,993
Equipment	5,282	-	-	5,282
Office equipment	10,197	-	983	9,214
Totals	<u>\$ 1,248,199</u>	<u>\$ 218,120</u>	<u>\$ 58,034</u>	<u>\$ 1,408,285</u>

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2019 and 2018

NOTE 5 - RELATED PARTY TRANSACTIONS

The Corporation incurred the following transactions with related parties:

In 2019 and 2018, the Corporation paid \$36,795 and \$10,850, respectively, for construction and repair and maintenance costs to a company owned by a board member.

In 2019 and 2018, the Corporation paid \$910 and \$1,243, respectively, to a board member for consulting services related to operations.

NOTE 6 - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through January 17, 2020, the date the financial statements were available to be issued and noted nothing significant requiring disclosure.

