

COMPTON WATER ASSOCIATION
Board of Directors and Business Meeting
Held at Compton School, Compton Arkansas
October 10, 2017 - 7:00 p.m.

Roger Jones called meeting of October 10, 2017 Compton Water Association to order. Mitch Jones called roll to determine if a Quorum is present. Members present: Mitch Jones, Roger Jones, Karl Lehr. Quorum established.

REPORTS:

MINUTES: Katrina Davidson
DIRECTORS REPORT: Katrina Davidson
BOOKKEEPER REPORT: Katrina Davidson
WATER OPERATOR REPORT: Wayne Hartlerode

A motion was made by Mitch Jones to accept the reports into the minutes. Karl Lehr seconded the motion.
All in favor; motion carries.

**** CASSETTE TAPE WAS EXTREMELY INAUDIBLE**

OLD/UNFINISHED BUSINESS:

Topic: Vehicle. Discussed that CWA is low on funds and did not come up with a definite plan to move forward with purchasing a truck. Wayne stated that Bill would be working on it and hopefully that would see us through a while longer.

Topic: Audit Results. Audit Results were read and CWA is in compliance in all areas.

NEW BUSINESS:

Topic: BECI Invoice- Wayne was asked to negotiate with the company on the cost of the services that were obtained.

Topic: 2018 Proposed Budget- Katrina was asked to check into the Workman's Comp

Topic: Possibility of applying for loans-

REQUEST TO BE ON AGENDA

1. Clay Hendon- Clay Hendon asked about getting water up to his house on 103. The Board explained that he would need to provide his own

Motion was made by Mitch Jones to adjourn, second by Karl Lehr; all in favor, motion carries.



Roger Jones, President

October 10, 2017



Mitch Jones, Board Member

October 10, 2017

DISTRIBUTION EFFICIENCY SUMMARY

	Gallons	Percent
Water Supplied to System	1,839,320	100.0%
Water Sold to Customers	1,425,000	77.5%
Utility Use (fire, flushing)	3,000	0.2%
Water Lost	411,320	22.4%
Average Use Per Account	4,553	
Accounts Using Water	313	

SUMMARY BY SERVICE

	Water	Sewer	Trash	Other1	Other2	Other3	Sales Tax
Charges	29,514.55	0.00	0.00	103.80	54.00	0.00	2,368.52
Count	346	0	0	346	54	0	345
Average	85.30	0.00	0.00	0.30	1.00	0.00	6.87

ACCOUNTS RECEIVABLE ANALYSIS

Balance Due on August 2017 Bills		37,529.07	354
Credit Balances		-418.01	5
Debit Balances	37,947.08		349
Payments		-31,151.53	327
Adjustments		-69.02	5
Balance after Payments and Adj		6,308.52	50
Current	2,605.33		21
30 to 60 Days Old	1,378.66		9
60 to 90 Days Old	519.42		8
Over 90 Days Old	1,805.11		12
Penalty Charges		504.70	55
Charges for Services		32,040.87	346
Balance Due		38,854.09	

DISTRIBUTION EFFICIENCY SUMMARY

	Gallons	Percent
Water Supplied to System	1,776,630	100.0%
Water Sold to Customers	1,376,000	77.5%
Utility Use (fire, flushing)	4,000	0.2%
Water Lost	396,630	22.3%
Average Use Per Account	4,341	
Accounts Using Water	317	

SUMMARY BY SERVICE

	Water	Sewer	Trash	Other1	Other2	Other3	Sales Tax
Charges	28,964.05	0.00	0.00	104.10	54.00	0.00	2,321.98
Count	347	0	0	347	54	0	346
Average	83.47	0.00	0.00	0.30	1.00	0.00	6.71

ACCOUNTS RECEIVABLE ANALYSIS

Balance Due on September 2017 Bills		
Credit Balances	38,854.09	355
Debit Balances	-368.61	5
Payments	39,222.70	350
Adjustments	-30,410.82	319
Balance after Payments and Adj	-34.99	5
Current	8,408.28	50
30 to 60 Days Old	3,602.83	15
60 to 90 Days Old	1,952.91	9
Over 90 Days Old	775.35	11
Penalty Charges	2,077.19	15
Charges for Services	625.58	56
Balance Due	31,444.13	347
	40,477.99	

Compton Water Association, Inc.
Profit & Loss
 January through September 2017

	Jan - Sep 17
Ordinary Income/Expense	
Income	
FEES CHARGED	
Miscellaneous Revenue	575.00
Water Meter Sets	4,200.00
Reconnect Fees	975.00
FEES CHARGED - Other	150.00
Total FEES CHARGED	5,900.00
Water Revenue	
Misc Fees	480.03
Penalty	4,049.30
Safe Water	942.68
Sales Tax	18,645.05
Water Sales	234,093.29
Total Water Revenue	258,210.35
Total Income	264,110.35
Gross Profit	264,110.35
Expense	
compton water	-19,251.89
Business Expenses	
Bank Charges	438.30
Banking NSF	203.00
Business Expenses - Other	145.84
Total Business Expenses	787.14
CONTRACT LABOR	
Katrina Davidson	14,400.00
Justin Robinson Meter Reader	3,150.00
Wayne Hartlerode Water Operator	16,000.00
Wayne Hartlerode Backhoe	2,650.00
CONTRACT LABOR - Other	9,433.75
Total CONTRACT LABOR	45,633.75
Contract Services	
Accounting Fees	450.00
Arkansas Dept of Health	320.50
Arkansas One Call	68.40
Outside Contract Services	1,500.00
Total Contract Services	2,338.90
EQUIPMENT	
Equipment Purchase	1,172.19
Misc. Equip for Repairs	4,744.21
Leak Repairs	-270.00
Mower	156.83
Other Repairs	2,132.88
Total EQUIPMENT	7,936.11
Facilities and Equipment	
Building Rent	612.72
Storage Unit	150.00
Truck Expense	1,583.06
Total Facilities and Equipment	2,345.78
Interest Expense	3,489.13
Operations	
Advertising	629.48
Books, Subscriptions, Reference	249.99
Postage, Mailing Service	1,707.39
Supplies	1,241.75
Telephone, Telecommunications	1,879.84
Utilities, Electric, Gas	2,694.68

12:11 PM
10/10/17
Accrual Basis

Compton Water Association, Inc.
Profit & Loss
January through September 2017

	<u>Jan - Sep 17</u>
Water Works Computer Program	1,186.50
Total Operations	9,589.63
Other Types of Expenses	
Insurance Hartford Workmans Com	1,024.00
Total Other Types of Expenses	1,024.00
S W BOONE Water	121,466.46
SALES TAX	
Arkansas State Tax	13,530.17
Boone County	12.47
Carroll County	64.92
Madison County	743.89
Newton County	2,349.48
Total SALES TAX	16,700.93
VEHICLE	
Fuel	2,050.45
Insurance	1,493.00
Maintenance	913.70
Total VEHICLE	4,457.15
Total Expense	196,517.09
Net Ordinary Income	67,593.26
Net Income	<u>67,593.26</u>

Compton Water Association, Inc.
Balance Sheet
 As of September 30, 2017

	Sep 30, 17
ASSETS	
Current Assets	
Checking/Savings	
CFB 72245 Depreciation Checking	2,932.97
CFB 8350 Checking	12,820.02
CFB 72187 Meter Dep Checking	17,183.05
CFB 72161 Loan Res. Checking	1,336.87
Water Revenue; Water Sales	-542.20
Total Checking/Savings	33,730.71
Accounts Receivable	
Accounts Receivable	8.20
Total Accounts Receivable	8.20
Total Current Assets	33,738.91
TOTAL ASSETS	33,738.91
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Water Meter Acct Deposit	16,991.05
Total Other Current Liabilities	16,991.05
Total Current Liabilities	16,991.05
Long Term Liabilities	
ARKANSAS NATURAL RESOURCES	
Arkansas Natural Resources 1	48,162.00
Arkansas Natural Resources 2	16,813.00
Total ARKANSAS NATURAL RESOURCES	64,975.00
USDA Rural Development 01	27,797.54
USDA Rural Development 04	944.10
USDA Rural Development Loan 05	16,141.17
USDA Rural Development Debt 09	100,013.61
Total Long Term Liabilities	209,871.42
Total Liabilities	226,862.47
Equity	
Opening Balance Equity	-421,084.91
Unrestricted Net Assets	160,368.09
Net Income	67,593.26
Total Equity	-193,123.56
TOTAL LIABILITIES & EQUITY	33,738.91

**COMPTON WATER ASSOCIATION, INC.
FINANCIAL REVIEW
FOR THE PERIOD JANUARY 1, 2016 – DECEMBER 31, 2016**

**Stephen Savage
P. O. Box 164623
Little Rock, AR 72216**

Stephen Savage
P. O. Box 164623
Little Rock, AR 72216

Independent Accountant's Report

Compton Water Association, Inc.
P. O. Box 825
Compton, AR 72624

I have performed the procedures listed below with respect to the financial information and state law compliance which were agreed to by the management of Compton Water Association, Inc. for the period January 1, 2016 – December 31, 2016. Management is responsible for maintaining the financial records and complying with the state law. This report is prepared in accordance with Rule 506.1.B of the Arkansas Natural Resources Commission's rules and regulations. This engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I 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 for the Compton Water Association, Inc. are as follows:

Compiled Financial Statements

Cash

1.
 - a. Prepare a proof of cash for the year and reconcile year-end bank balances to book balance.
 - b. Confirm with depository institutions the cash on deposit and investments.
 - c. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

I found no exceptions to the procedures listed above.

Receipts

2.
 - a. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
 - b. Agree 10 customer payments on the accounts receivable subledger to deposit and billing documents.

I found no exceptions to the procedures listed above.

Accounts Receivable:

3.
 - a. Agree 10 customer billings to the accounts receivable subledger.
 - b. Determine that (5) customer adjustments were properly authorized.

I found no exceptions to the procedures listed above.

Disbursements:

4.
 - a. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$500, whichever is greater.
 - b. Analyze all property, plant and equipment disbursements.
 - c. Select 10 disbursements and determine if they were adequately documented.

I found no exceptions to the procedures listed above.

Property, Plant and Equipment

5.
 - a. Determine that additions and disposals were properly accounted for in the records.

I found no exceptions to the procedures listed above.

Long-Term Debt:

6. a. Schedule long-term debt and verify changes in all balances for the year.
- b. Confirm loans, bonds, notes and contracts payable with lender/trustee/contractor.
- c. Determine that the appropriate debt service accounts have been established and maintained.

I found no exceptions to the procedures listed above.

Other Recommendations:

I noted the water association has not been funding the depreciation reserve fund required by the Arkansas Natural Resources Commission. Per discussion with the association, they have increased rates so revenue will be sufficient for operations and reserve fund requirements.

Conclusion:

This report is intended solely for the information and use of the Compton Water Association, Inc. and is not intended to be and should not be used by anyone other than this specified party.

I appreciate Katrina as she was extremely helpful and cooperative. Katrina and the water system do a great job, and the system itself has made great improvements. I appreciate your willingness to provide us with all the information we requested. Thank you very much for all your help.

Sincerely,



Stephen Savage, CPA

June 7, 2017



www.beciarkansas.com

Invoice

Date	Invoice #
9/23/2017	1540

Bill To
Compton Water Assn. P.O. Box 825 Compton, AR 72624

Remit To
Bolton Electric & Controls, Inc. P.O. Box 175 Vilonia, AR 72173 Phone: 866-936-BECI Fax: 501-358-6564

Terms	Job #	Customer P.O. No.	Project
Net 30	624		541- Service Call

Description	Qty	Rate	Serviced	Amount
Compton Water (service call)- check out controls for pump station and tank. Determined that the tank control was sending the signal via phone line from the tank to the pump station. Went thru the basic controls in pump station and determined the alternating relay was working properly. Labeled all switches for proper position. Traveled to tank that sets the signal to call for water and the signal was coming from the pump station. Suggested to the operators that an updated tank control be built up so they could use a pressure transduce instead of the mercoid valve and install it at the tank for control. Note: I apologize for the how late we are in submitting this invoice. We have had some office turnover, and this project slipped through the cracks. Please let me know if you have any questions or concerns. Thank you for your understanding! Sincerely, Rebekah Sowards, Office Manager Phone: 866-936-2324	8	95.00	5/16/2017	760.00

Comments:

1. Please make checks payable to Bolton Electric & Controls, Inc.
2. Please include the invoice number on your check.

If you have any questions about this invoice, contact Rebekah at 866-936-2324, or email rbolton@beciarkansas.com
Thank you!

Subtotal	\$760.00
Sales Tax (0.0%)	\$0.00
Total	\$760.00
Payments/Credits	\$0.00
Balance Due	\$760.00

COMPTON WATER ASSOCIATION
Proposed Budget
For 2018

MONTHLY EXPENSES:

Water Operator		
Backhoe Labor		\$2,000.00
Backup Water Operator		400.00
Meter Reader		900.00
Bookkeeper		450.00
Ritter Communications		1800.00
Carroll Electric		200.00
Arkansas One Call		400.00
Compton Community Bldg.		11.40
Arkansas Sales Tax (approx.)		51.00
Postage & Office Supplies		2,200.00
Fuel		300.00
Repairs/Maintenance		200.00
FHA Loan (9104)		2000.00
FHA Loan (9101)	36.00	
FHA Loan (9105)	974.00	
FHA Loan (9150)	171.00	
	<u>703.00</u>	
(Automatic withdrawal) Subtotal		\$1,884.00
Annual Expenses (see below)*		1,241.84
Quarterly Expenses (see below)**		106.00
Water Charges (assuming minimal leaks & average use)		14,000.00

TOTAL ESTIMATED EXPENSES

<u>TOTAL ESTIMATED INCOME</u> <small>(based on Taxable sale/10 months)</small>	\$23,000–29,000.00	<u>\$28,144.24</u>
Average Est. Income		\$26,695.72

QUARTERLY EXPENSES**

Public Water System Service Fee	<u>\$318.00</u>
---------------------------------	-----------------

ANNUAL EXPENSES*

Arkansas Natural Resources	5,684.00
Arkansas Natural Resources	2,648.00
Arkansas Rural Water	500.00
Insurance (truck)	1,500.00
Workman's Comp	1,095.00
IRS Tax Filing	450.00
CPA (audit)	1,500.00
Pioneer Propane (propane well house)	300.00
Water Works (Computer Program)	875.00
Rural Water Impact (Website)	<u>350.00</u>
	\$14,902.00

BUDGET RECOMMENDATIONS

1. Seek ways and means to reduce loan payments, balances, etc. through negotiation and grants ASAP.
2. Order rate study as soon as feasible; consider rate increase.

A BRIDGE TO TOMORROW:

5 Reasons To Consider A Revolving Line of Credit

Most rural water and wastewater systems experience cash flow challenges at some point— whether it's the result of revenue shortfalls, emergency repairs or unbudgeted technology needs. Many of them have found that a revolving line of credit can be the perfect way to fund such unpredictable or variable short-term needs.

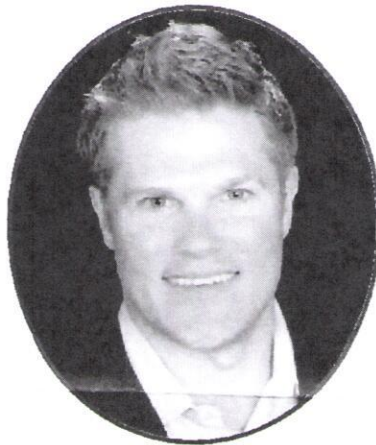
Lines of credit can also be a helpful tool for kick-starting new construction projects. With a reliable way to pay for pre-design costs such as preliminary engineering, surveys and environmental reviews, a water system can get its project off the ground while it awaits long-term financing. In most cases, these pre-development costs can then be rolled into the long-term financing once it becomes available.

Here's how it works: A revolving line of credit is a flexible loan that provides a specified maximum amount that may be drawn as needed, similar to a credit card. Those borrowed funds can then be paid back and re-borrowed against, as new needs arise, at the borrower's discretion. Interest accumulates on the borrowed amount, and payments can be made interest-only or with principal.

Lines of credit can provide a number of advantages for Arkansas rural water and wastewater systems, including:

1) Flexible Access to Cash Funds can be drawn immediately or as an emergency reserve, or whenever needed, as opposed to a traditional loan, where all funds are advanced upfront whether there is an immediate need or not.

2) Flexibility of Use Funds can be used for any general business need and for multiple purposes, versus many traditional loans that are earmarked for a specific need. A line of credit is the perfect "rainy day fund" for those unplanned needs and helps systems avoid dipping into cash reserves that may be better utilized for larger capital improvements down the road.



By Bentley Hodges
Vice President, CoBank
Rural Water Financing Division

3) Flexible Payment Terms

Traditional loans have specific repayment periods and set amounts, whereas a revolving line of credit offers flexible payment amounts.

4) Ability to Pay Down and Reuse The revolving nature of the line of credit allows funds to be borrowed, paid back and borrowed again for multiple uses over the line of credit term which is typically one year and extended annually. With a traditional loan, once the funds have been paid down, they can never be borrowed again.

5) A Benefit for Engineers

Engineers often have to decide between working for customers who are able to pay them right away for the work they are doing and working for those who cannot pay them until their state, federal or commercial financing comes in. That puts the water and wastewater systems at a disadvantage when they're seeking in-demand engineering firms for pre-construction work. A line of credit allows the borrower to pay the engineering firms immediately for that work, then roll the costs into the financing once construction begins. Given all the expenses that come before your new project breaks ground, a line of credit can be the difference that allows a

utility to hire and pay top-quality engineers up front.

CoBank as an Experienced Lender to Rural America

CoBank, a member of the Farm Credit System, has served the borrowing needs of agriculture and rural infrastructure across rural America for over 100 years. Our rural water and wastewater borrowers include not-for-profit associations, municipalities, special districts and investor-owned water utilities.

Interest Rate Outlook

In June, the Federal Reserve chose to increase its benchmark Federal Funds rate, increasing the figure to 1.00 percent to 1.25 percent. The Fed governors cited an improving economy, reasoning that a slightly higher rate would help forestall inflation without damaging economic growth.

CoBank Line of Credit Highlights

- No fees
- Low, variable rate financing
- Immediate access to cash
- Amounts sized for your specific needs up to \$1 million
- Flexible payment terms
- Ability to roll borrowed amounts into longer-term financing

Despite the rate increase, borrowers should not be misled into thinking rates are high. In fact, interest rates are still extraordinarily low by historical standards across the entire yield curve. That's good news for water systems looking to invest in their systems. Now is an ideal time to invest in the education and technical assistance of employees, as well as exploring newer technologies that can improve operating efficiencies and moving forward with necessary capital improvements.

If you'd like to find out more about whether a line of credit might be right for your water or wastewater system or how we can help finance your next project, please contact Bentley Hodges at CoBank, at 303-793-2139, or bhodges@cobank.com